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Pooling Not Gone Yet

In July 1999, we reported that by December 2000 FASB was going to adopt a new rule prohibiting the use of pooling-of-interests for a business combinations and, possibly, to shorten the amortization period for any goodwill recognized from such a transaction. Recently, FASB announced that its final statement banning pooling would not be ready until March 2001 at the earliest. This keeps the window of opportunity open at least three months longer than originally expected. Because roughly 20% of all spin-offs are acquired by another company (“Some New Evidence That Spinoffs Create Value” by Patrick Cusatis *et al.*, *Journal of Applied Corporate Finance*. Summer 1994), several companies that were spun-off are likely to be acquisition targets.

Currently, there are two methods to account for business combinations: pooling-of-interests and the purchase method. To use pooling-of-interests, the companies must meet a set of twelve conditions. The condition that makes pooling appealing to so many companies is the stock-for-stock exchange. Because of high stock valuations, pooling has been the more attractive alternative. Pooling enables companies to use their stock as currency to complete the transaction. In a pooling transaction, the two companies just add together the old book values. This eliminates goodwill recorded on the books. Under the alternative method, purchase accounting, one company is identified as the buyer and records the company being acquired at the price that it actually paid, including any goodwill. Goodwill is equal to the excess of the purchase price over the fair market value of the acquired company’s net assets. The company must then amortize goodwill against earnings for a period not to exceed 40 years (thus penalizing reported future earnings).

Why get rid of Pooling?

FASB sees several problems with pooling-of-interests. First of all, having the option of using the pooling or the purchase method, two separate accounting treatments exist for essentially the same transaction. Companies under the purchase method have to recognize certain charges against earnings that companies that use pooling do not. Secondly,

pooling is only widely available in the United States so U.S. companies have a bidding advantage over foreign ones. Having two different methods makes comparing acquisitive companies within the U.S. and internationally more difficult. Eliminating pooling will align U.S. and international accounting standards. Next, management is less accountable to shareholders for earning a return on the acquired operations. Generally, pooling acquirers pay higher premiums than purchase buyers do. According to Michael Davis in his article “The Purchase vs. Pooling Controversy: How the Stock Market Responds to Goodwill.” (*Journal of Applied Corporate Finance*. Spring 1996.), the average premium over book value was nearly three times larger for firms using pooling than for firms using the purchase method. Under pooling, shareholders never see how much that the company paid for the acquired company and never see the amortization of goodwill. Lastly, the FASB believes that the purchase method gives investors a better idea of the initial cost of the transaction and of the investment’s performance over time than pooling does. Recording all assets, including acquisitions, at their cost is consistent with how the company purchases other assets.

FASB is known to prefer the purchase method of business combinations. While FASB has not finalized its statement banning pooling, the organization has considered several issues. During FASB’s discussions of the treatment of business combinations, the focus has been on the treatment of goodwill. Some ideas FASB is considering are to shorten the period over which a company can amortize goodwill, to replace the amortization of goodwill with monitoring of goodwill’s value, and to change reporting requirements for companies that have goodwill amortization. First, shortening the amortization period would lower corporate earnings and make many business combinations less attractive. FASB was considering shortening the goodwill amortization period from a period of up to 40 years to a period of up to 10-20 years. Combining

this shorter amortization period with companies' having to use the purchase method will result in more goodwill amortization on income statements and more goodwill on corporate balance sheets. A company that uses pooling may have higher earnings than one that uses the purchase method and has to amortize goodwill. The pooling company may have higher earnings, which results in higher P/E ratios, ROE and ROA. Additionally, the book value of assets of a company that uses pooling will be lower than that of a company that uses the purchase method. Second, in monitoring goodwill for any impairment, the company would only write off declines in value. One complication from this treatment would be how management determines whether goodwill is impaired. Another is the degree of subjectivity that management would have in determining impairment. Third, FASB is considering changing some of the reporting requirements. First, FASB is considering permitting companies to include a second EPS number that does not include goodwill amortization in addition to reporting "traditional" EPS, which includes goodwill amortization. Next, FASB is considering some additional disclosures such as requiring separate line

items for goodwill in the balance sheet and for the amortization of goodwill in the income statement. These will allow investors to consider goodwill in their analysis. Because of the changes, investors may utilize cash flow analysis instead of the P/E ratio and earnings analysis.

Companies are expected to have the opportunity to use the pooling-of-interests method until March 2001, at the earliest. Consequently, M&A activity would probably increase to take advantage of this window of opportunity. After this date, the number of mergers may decrease in the near term. With an increase of M&A activity expected, several spin-offs represent potential acquisition candidates. Many spin-offs that are "pure plays" and/or underperforming are attractive targets for larger, better performing companies. Spin-offs must wait a period of two years before being able to change their corporate structure and participate in M&A activity. Some spin-offs that will have waited this two-year period as of March 2001 and could be potential acquisition candidates before the elimination of pooling are the following:

Parent	Spin-Off		Spin-Off		
	Sym.	Name	Sym.	Date	YEARS
1 Dole Food Company	DOL	Castle & Cook, Inc. (acquired)	CCS	1/4/95	5.8
2 Briggs & Stratton	BGG	Strattec Security	STRT	2/28/95	5.7
3 General Mills	GIS	Darden Restaurants	DRI	6/1/95	5.4
4 Cooper Industries	CBE	Cooper Cameron	CAM	7/5/95	5.3
5 Kimberley-Clark	KMB	Midwest Express	MEH	9/22/95	5.1
6 Eaton Vance Corp.	EV	Investor Financial Services	IFIN	11/11/95	5.0
7 Kimberley-Clark	KMB	Schweitzer-Maudit International	SWM	12/1/95	4.9
8 Halliburton Co.	HAL	Highland Insurance Services	HIC	1/24/96	4.8
9 Sprint Corp.	FON	360 Communications (acquired)	XO	3/8/96	4.6
11 Ruby Tuesday	RI	Morrison Healthcare	MHI	3/11/96	4.6
12 Anheuser-Busch	BUD	Earthgrains	EGR	3/27/96	4.6
13 AT&T	T	Lucent Technologies	LU	4/3/96	4.6
14 May Department Stores	MAY	Payless ShoeSource	PSS	5/9/96	4.5
15 Premark International	PMI	Tupperware	TUP	5/31/96	4.4
16 Minnesota Mining	MMM	Imation	IMN	7/16/96	4.3
17 Viad Corporation	VVI	Dial Corporation	DL	8/16/96	4.2
18 Comercial Intertech (acquired)	TEC	Cuno	CUNO	9/11/96	4.1
19 CVS (Melville Corp.)	CVS	Footstar	FTS	10/16/96	4.0
20 Union Pacific	UNP	Union Pacific Resources (acquired)	UPR	10/16/96	4.0
21 WMS Industries	WMS	Midway Games	MWY	10/29/96	4.0
22 Dun and Bradstreet	DNB	A.C. Nielson	ART	11/13/96	4.0
23 Tenneco	TEN	Newport News Shipbuilding	NNS	12/12/96	3.9
24 Florida Progress Corp.	FPC	Echelon International (acquired)	EIN	12/18/96	3.9
25 Corning Inc.	GLW	Covance	CVD	12/31/96	3.8
26 Corning Inc.	GLW	Quest Diagnostics	DGX	12/31/96	3.8

	Parent	Spin-Off		Spin-Off		YEARS
		Sym.	Name	Sym.	Date	
27	Murphy Oil	MUR	Deltic Timber	DEL	12/31/96	3.8
28	Olin	OLN	Primex Technologies	PRMX	12/31/96	3.8
29	AT&T	T	NCR	NCR	1/2/97	3.8
30	Fortune Brands	FO	Gallaher Tobacco	GLH	6/2/97	3.4
31	HomeBase (Waban)	HBI	BJ's Whole Sale Club	BJ	7/29/97	3.2
32	Valero Energy	VLO	Valero Refining and Marketing	VLO	7/31/97	3.2
33	Equifax, Inc.	EFX	ChoicePoint	CPS	8/8/97	3.2
34	National Healthcare LP.	NHC	National Health Realty	NHR	8/20/97	3.2
35	Monsanto (old ticker: MTC)	PHA	Solutia	SOI	9/1/97	3.1
36	C-Tec Corporation	CTEX	RCN Corp	RCNC	9/30/97	3.1
37	C-Tec Corporation	CTEX	Cable Michigan, Inc. (acquired)	CABL	9/30/97	3.1
38	Alza	AZA	Crescendo Pharmaceuticals	CNDO	10/1/97	3.1
39	Rockwell	ROK	Meritor (acquired)	MRA	10/1/97	3.1
40	BEI Electronics	BMED	BEI Technologies	BEIQ	10/8/97	3.0
41	Pepsi	PEP	Tricon Global Restraunts	YUM	10/8/97	3.0
42	Choice Hotels International	CHH	Sunburst	SNB	10/16/97	3.0
43	Odetics, Inc.	ODETA	ATL Products (acquired)	ATLPA	10/31/97	3.0
44	Lennar	LEN	LNR Properties	LNR	11/3/97	3.0
45	Western Atlas (acquired)		Unova	UNA	11/3/97	3.0
46	Lument Technologies (formerly BEC group) (acquired)		Bolle Inc.	BLE	11/19/97	2.9
47	Freeport McMoran / IMC Global		Freeport McMoran Sulphur	FMOLS	12/22/97	2.8
48	Best Foods (acquired)		Corn Products International	CPO	12/31/97	2.8
49	Orasure Technologies (formerly Epitope, Inc.)	OSUR	Agritrope, Inc.	AGTO	1/8/98	2.8
50	Sodexo Marriott Services	SDH	"New" Marriott International	MAR	1/12/98	2.8
51	Flowers	FLO	Keebler Foods	KBL	1/29/98	2.7
52	Whitman	WH	Midas / Hussmann (acquired)	MDS/HSM	1/30/98	2.7
53	Torchmark	TMK	Waddell & Reed	WDR	3/5/98	2.6
54	Campbell Soup	CPB	Vlasic Foods International	VL	3/30/98	2.6
55	W.R. Grace	GRA	"New" W.R. Grace	GRA	3/31/98	2.6
56	Excel	XEL	Excel Legacy Corp	XLCY	3/31/98	2.6
57	Ralston Purina	RAL	Agribands	AGX	4/1/98	2.6
58	ATL Ultrasound (acquired by Royal Phillips Electronics)	ATLI	Sonosight	SONO	4/6/98	2.5
59	Vencor	VNCO	Ventas	VTR	5/1/98	2.5
60	Limited	LTD	Abercrombie & Fitch	ANF	5/15/98	2.4
61	Great Lakes Chemical	GLK	Octel	OTL	5/22/98	2.4
62	U.S. Office Products	OFIS	Navigant International	FLYR	6/10/98	2.4
63	U.S. Office Products	OFIS	School Specialty	SCHS	6/10/98	2.4
64	U.S. Office Products	OFIS	Workflow Management	WORK	6/10/98	2.4
65	U.S. Office Products	OFIS	Aztec Technology Partners	AZTC	6/11/98	2.4
66	Alleghany	Y	Chicago Title & Trust (acquired)	CTZ	6/17/98	2.3
67	Dun & Bradstreet	DNB	Reuben H. Donnelley	RHD	7/1/98	2.3
68	Pittway (acquired)	PRY	Penton Media	PME	8/11/98	2.2
69	Collagen (acquired for 13 3/4 on 6/10 by MNTR)	CGEN	Cohesion Technologies	CSO	8/19/98	2.2
70	Forward Air (Formerly Landair Services)	FWRD	Landair Corporation	LAND	8/27/98	2.1
71	Penford Corp.	PENX	Penwest Pharmaceuticals	PPCO	9/1/98	2.1
72	Qualcomm	QCOM	Leap Wireless	LWIN	9/23/98	2.1
73	Fingerhut (acquired on 3/25/99 for 25 by Federated)	FHT	Metris	MXT	9/25/98	2.1
74	American Medical Security Group	AMZ	United Wisconsin	UWZ	9/25/98	2.1
75	DuPont	DD	Conoco	COC	10/22/98	2.0
76	News Corp	NWS	Fox Entertainment	FOX	11/11/98	1.9
77	American Healtcorp	AMHC	Amsurg	AMSGB	12/4/98	1.9
78	Ideamall Inc (Creative Computers)	MALL	uBid (acquired)	UBID	12/4/98	1.9
79	CBS	CBS	Infinity Broadcasting	INF	12/10/98	1.9
80	CBS	CBS	Marketwatch.com	MKTW	1/19/99	1.7
81	Olin	OLN	Arch Chemicals	ARJ	2/9/99	1.7

Company Update

Comdisco to Cease Operation of Prism

On October 3, Comdisco announced that is pulling the plug on Prism (Red DSL services), its cash hungry telecom start-up. Constrained by its own funding pressures, Comdisco decided not to continue to underwrite Prism's losses. In March of 1999, Comdisco acquired a majority interest in Prism, a New York City based provider of high-speed communication services, with the plan of providing low-cost communication services to its corporate customers as well as Prism's small business customers. The carrying value of Prism is \$375 million. Once the net realizable value of these assets is determined, the charge resulting from the writedown of the investment in Prism will be recorded in the fourth quarter ended September of 2000, as a discontinued operation. Comdisco is trying to sell the assets (at fire sale prices, no doubt). Even without Prism, CDO's focus on venture debt and equity investments, funded in part by short-term debt, is an ongoing credit concern. On October 3rd, Moody's, S&P and Fitch lowered their ratings on the company's debt securities. Comdisco's already beleaguered stock dropped over 20% on the news.

Absent Prism, CDO says it will meet fourth quarter estimates (the fiscal year just ended on September 30). The company intends to report fourth quarter and fiscal year-end results on November 8. Cash flow from operations totaled \$3 billion for the just-completed year. Comdisco is a leasing company at the core, and therefore highly dependent on the credit markets. Comdisco is the world's largest independent leasing company, focused on high-technology assets including computer, medical, electronic, and telecommunications equipment. About 85% of the company's revenue is derived from this activity. CDO complements this business by offering high-tech asset management services, which help its clients manage their technology cost and risks. The Comdisco technology services (formerly continuity services) unit accounts for approximately 15% of the company's revenue. Technology services encompasses disaster recovery, comprehensive desktop support, and network services.

Given the company's recent mis-steps, bond investors have grown increasingly concerned, and as a result, the spreads on the company's outstanding debt have increased sharply over the past couple of months. At the end of June, Comdisco had over \$6 billion of debt outstanding and about \$260 million in cash. Although CDO generates significant cash, it has reinvested even more, particularly in venture debt and equity. For the nine months ended June 30, 2000 (excluding Prism), CDO was a net user of cash of about \$195 million, even though it collected nearly \$500 million in note receivable receipts and other revenue (mostly equity gains), up from \$55 million a year ago. The company has roughly \$220 million in medium term notes maturing over the next two months. It is likely that Comdisco will face higher funding costs going forward, further hampering margins. As of September 30, 2000, CDO had \$300 in cash, \$320 million in Commercial Paper available, \$180 million in Committed Bank Lines (500-320) and \$182 million in Committed non-recourse financing in process. In addition, Comdisco had \$100 million in Uncommitted Availability, for a total liquidity of about \$1.08 billion.

Comdisco Ventures Tracker Still in Registration with SEC Despite the Prism setback, Comdisco still hopes to IPO its Ventures group stock. The underwriters are trying to sell 10 million shares between \$14 and \$16 per share. This may be a pipe dream at this point given the environment. Comdisco is proposing to carveout 11.7% of the Ventures business as a tracking stock. Comdisco would retain 75 million shares (out of 85 million shares outstanding). All of the IPO proceeds would go directly to Comdisco. Thus, each share of Comdisco would have 0.4629 shares of Ventures value (75M/162M). At the midpoint of the IPO range, this suggests each share of Comdisco has nearly \$7 of Ventures embedded (or about 46% of CDO's \$15 current price. Comdisco has 162 million shares outstanding and a current market value of \$2.43 billion.

We would assign a fairly high probability that the Ventures IPO may not occur in the fourth quarter (if at all). We believe that Comdisco will have a difficult time marketing a tracking stock at an implied market value of \$1.275 billion. Further, CDO has some credibility issues that will likely constrain enthusiasm for the IPO. Last year, investors were told that both Prism and the Ventures group would go public in the spring of this year. It is the fourth quarter, and Prism is no longer and on-going entity and Ventures' IPO may be a long shot.

At the end of September, unrealized gains on equity positions in the Ventures portfolio approximated \$900 million. During the quarter, the company liquidated over \$140 million in equity securities. The portfolio had stakes in a few of this past quarter's strongest IPOs, including Avici Systems. On the other hand, at least one big CDO Venture investment (Living.com) went bust during the quarter just ended.

Comdisco (NASDAQ: CDO)

Price (10/6/00)	\$13 1/8	EPS TTM A	\$1.41 P/E = 9.3x
52 Week Range	\$57 1/4 - 12 7/8	EPS 2001 E Consensus	\$1.48 P/E = 8.8 x
Shares Outstanding	152.18 M	Price/Book	1.6x
Market Value	\$20 B	EV/EBITDA	3.83x
ROE (8/00)	3.92%	Revenue TTM	\$16.9 B



Company Update

Enron Carves Out Stake in TNPC

On October 5, TNPC (NYSE:NPW) went public with an offering of 24,000,000 common shares was priced at \$21 per share. The Company expects to receive net proceeds from the offering of its shares of approximately \$473 million, exclusive of the underwriters' option to purchase additional 3,600,000 common shares to cover over allotments. Credit Suisse First Boston and Donaldson, Lufkin & Jenrette co-lead managed the deal. TNPC, Inc. was formed in late 1999 to provide electricity and natural gas directly to households and small businesses in the deregulated energy marketplace. Through its subsidiary, The New Power Company, TNPC, Inc. provides guaranteed savings on residential utility bills, and will offer frequent flier miles and other incentives to its customers. TNPC, Inc. has entered into strategic relationships with strong marketing and technical partners. Enron has recruited IBM to set up an online marketplace and America Online to market its products. TNPC opened at \$28.50 and closed its first day of trading at \$27, for a market value of \$1.386 billion (based on 51.36 million shares outstanding). Enron still owns 46.3% post offering. On a fully diluted basis (adding warrants that are exercisable into 69 million shares at \$0.05 a share as of December 31st of this year) there is about 120 million shares outstanding. This implies a market value of \$2.5 billion on 1999 pro forma revenues of only \$114.5 million. This seems rich to us.

More than nine states have opened competition in the retail electricity markets, while 11 states have opened natural gas markets. It is estimated that as

much as 50% of the U.S. population (55 million households) may have access to competitive energy markets by '02. Utilities have begun separating power generation from power transmission (distribution) functions. New Power is taking the next step. It is a retail energy company with no generation capability. Instead it acts more as a commodities broker and marketer. It buys electricity and natural gas like a commodity on the open market at wholesale levels. It then sells energy to customers, delivering the energy via the local utility's distribution (transmission) facilities. New Power hopes to be the first major firm to exploit energy deregulation in this manner on a national scale. The firm has some advantages due to its affiliation with Enron, the largest energy broker in North America. TNPC will have access to wholesale-priced raw materials and sophisticated risk management (hedging) techniques.

New Power was formed in January of 2000 and built around Enron's former retail energy unit. This unit was formed in mid 1997 and had about 20,000 customers. In July of this year, they acquired the retail energy operations of Columbia Energy. Consequently, it will have a base of 325,000 electricity and natural gas retail customers in California, Ohio, Georgia, and Pennsylvania. They plan to expand into MA, NJ and TX during 2001. On a pro forma basis, revenues for 1999 would have been about \$115 million, with a -0.8% gross margin and a \$77.6 million operating loss. Six month '00 pro forma revenues were \$89.9 million, with a 9% gross margin and a \$53.2 million operating profit.

ANNOUNCEMENT CALENDAR

Announced					
Company	Symbol	Date	Spin-Off	Symbol	Type
AMERICAN SOFTWARE	AMSWA	01/25/00	AMQUEST		
APOLLO GROUP	APOL	03/28/00	PHOENIX ONLINE	UOPX	TR
ACTUANT	ATU	01/27/00	APW Ltd.	APW	SP
AT&T	T	12/06/99	WIRELESS GROUP	AWE	TR
AUTONATION	AN	05/25/99	AUTONATION.COM		TR
		08/02/99	ANC RENTAL CORP.	ANCX	SP
AVISTA	AVA	01/21/00	INTERNET BILLING		
AZTEC	AZTC	03/30/00	PCSI		CO/SP
BEI TECHNOLOGIES	BEIQ	07/24/00	OPTICNET		
BELLSOUTH	BLS	04/05/00	CINGULAR WIRELESS		CO
		03/29/00	LATIN WIRELESS		IPO/TR
BRE PROPERTIES	BRE	03/16/00	VELOCITYHSI	VHSI	SP
CABLEVISION	CVC	12/22/99	RAINBOW PROGRAMMING		TR
CABLETRON	CS	02/10/00	SPLIT INTO 5 COMPANIES		
CENDANT	CD		MOVE.COM	MOV	TR
CENTRAL GARDEN & PET	CENT	03/20/00	LAWN AND GARDEN DISTRIBUTION		SP
CERIDIAN	CER	07/18/00	ARBITRON		SP
CHRONIMED	CHMD	03/13/00	MEDGENESIS	MDGN	SP
CIBER CORP.	CBR	03/01/00	ENTERPRISE SOLUTIONS		SP
CMGI	CMGI	12/17/99	ALTA VISTA	ALTA	CO
COMDISCO	CDO	06/17/99	PRISM		CO
			Comdisco VENTURE	CDOV	TR
COMPUTER ASSOCIATES	CA	08/07/00	SOFTWARE AND SERVICES		SP
COMPUTER HORIZONS	CHRZ	10/18/99	eB NETWORKS		CO
CONSOLIDATES STORES	CNS	01/27/00	KBKIDS.COM		CO
COPART	CPRT	12/17/99	INTERNET BUSINESS		SP
ESS TECHNOLOGY	ESST	07/20/00	VIALTA		CO
ECI TELECOM	ECIL	08/03/00	MULTIPLE UNITS		
DAMARK	DMRK		CLICKSHIP DIRECT		Delayed
DELIA'S	DLIA		iTURF	TURF	CO/SP
DELUXE	DLX	01/31/00	eFUNDS	EFDS	CO/SPLIT
DIAGEO PLC	DEO	06/22/00	BURGER KING		CO
DUN & BRADSTREET	DNB	12/15/99	MOODY'S	MCO	SP
EATON CORP.	ETN	02/24/00	AXCELIS TECHNOLOGIES	ACLS	CO
EMC Corp.	EMC	05/31/00	MCDATA	MCDT	CO
ENRON	ENE		NEW POWER	NPW	CO
FISHER SCIENTIFIC	FSH	03/08/00	ALCHEMATRIX		CO
FLUOR	FLR	06/08/00	MASSEY ENERGY		SP
GLOBAL CROSSING	GBLX	05/23/00	ASIA GLOBAL CROSSING	ACGX	CO
GREAT LAKES CHEMICAL	GLK	09/20/99	OSCA	OSCA	CO
HEWLETT-PACKARD	HWP	03/02/99	AGILENT TECHNOLOGIES	A	CO/SP
iGATE	IGTE	03/07/00	MULTIPLE UNITS		CO
ICN PHARMACEUTICALS	ICN	06/15/00	RIBAPHARM	RIBA	CO
			INTERNATIONAL OPERATIONS		CO
INFOCURE	INCX	08/22/00	PRACTICE WORKS		
INTELLIGROUP	ITIG	11/04/99	SERANOVA	SERA	SP
INTERPOOL	IPX	08/09/99	MICROTECH AND POOLSTAT		SP
JC PENNEY	JCP	05/18/99	ECKERD DRUG CHAIN		Delayed
KANSAS CITY SOUTHERN IND.	KSU	02/03/98	STILWELL FINANCIAL	SV	SP
KROLL O'GARA	KROG	04/18/00	SPLIT UP		SP
LASON	LSON	12/20/99	E-COMMERCE		Delayed

ANNOUNCEMENT CALENDAR

Announced					
Company	Symbol	Date	Spin-Off	Symbol	Type
LUCENT	LU	03/01/00	AVAYA	AV	SP
LUCENT	LU		MICROELECTRONICS		SP
MARSHALL & ILSLEY	MI	07/13/00	METAVANTE		CO/SP
METHODE ELECTRONICS	METHA	02/23/00	STRATOS LIGHTWAVE	STLW	CO/SP
MILLER	MLR	05/13/99	ROADONE		SP
MIM CORP.	MIMS	01/20/00	INTERNET PHARMACY		
MODIS PROF. SERVICES	MPS	11/09/99	IT DIVISION / SOLUTIONS UNIT		SP/CO
MOTOROLA	MOT	06/27/00	PROPEL		CO
NATIONAL DATA	NDC	12/21/99	eCOMMERCE		SP
NETWORK ASSOCIATES	NETA	01/31/00	INTERNET DIVISION		
NEXTEL	NXTL	08/18/00	NEXTEL INTERNATIONAL		CO
NEW YORK TIMES	NYT	01/28/00	NEW YORK TIMES DIGITAL		DELAYED-TR
NORTHERN STATES	NSP	03/29/00	NRG ENERGY	NRG	CO
PHARMACIA	PHA	08/30/00	MONSANTO	MON	CO
PLAYBOY ENTERPRISES	PLA	09/28/99	PLAYBOY.COM	PBYI	CO
PSINET	PSIX	03/28/00	INTERDOT.NET		CO
PTEK HOLDINGS	PTEK	10/28/99	E RESEARCH TECHNOLOGY		CO
QUALCOMM	QCOM	07/25/00	SEMICONDUCTOR BUSINESS		SP
RELIANT ENERGY	REI	07/27/00	ENERGY BUSINESS		SP
RPC	RES	01/14/00	CHAPARRAL BOAT DIVISION		SP
SAKS	SKS	07/19/00	SAKS ENTERPRISIS		SP
SARA LEE	SLE	05/30/00	COACH	COH	CO
SOUTHERN COMPANY	SO	04/17/00	SOUTHERN ENERGY	SOE	CO/SP
SPX CORP.	SPW	06/05/00	INRANGE TECHNOLOGY	INRG	CO
STAPLES	SPLS	09/15/99	STAPLES.COM	SDOT	TR
ST. JOE COMPANY	JOE	10/27/99	FLORIDA EAST COAST IND.	FLA	SP
SYBRON INTERNATIONAL	SYB	04/24/00	SYBRON DENTAL SPECIALTIES		SP
SYMANTEC	SYMC	06/10/99	INTERNET TOOLS SOFTWARE		CO
THERMO ELECTRON	TMO	01/31/00	THERMO FIBERTEK	TFT	CO/SP
TITAN CORP	TTN	12/29/99	CAYENTA	CYTA	CO/SP
TITAN CORP	TTN	08/14/00	SUREBEAM	SURE	CO/SP
TRANSACTION SYSTEMS ARCHITECTURE	TSAI	06/02/00	INSESSION TECHNOLOGY	INSX	Delayed
TRIARC	TRY	06/22/00	SNAPPLE BEVERAGE		SOLD
TYCO	TYC	03/10/00	TYCOM	TCM	CO
UCAR	UCAR	04/18/00	GRAFTECH	GRAF	Delayed
ULTRAMAR DIAMOND SHAMROCK	UDS	08/14/00	SHAMROCK LOGISTICS		CO
VIACOM	VIA.B	05/06/99	BLOCKBUSTER	BBI	CO/SPLIT
	VIA.B		MTVi		Cancelled
VERIZON	VZ	04/10/00	GENUITY	GENU	CO
WALMART	WMT	01/07/00	ONLINE BUSINESS		Delayed
WESTERN RESOURCES	WR	03/29/00	WESTAR ENERGY		SP
XEROX	XRX	04/27/00	CONTENTGUARD		CO
Ziff-Davis	ZD		Key3media	KME	SP

{SP} Spin-Off

{CO} Carve-out

{TR} Tracking

{SPLIT} Split-Off

Calendar Highlights

Price (10/06/00):	\$24 1/8	Listed				Date	Spin-Off	Tax	
Shares Out.	20.01 M	Parent	Symbol	Op-	Spin-Off	Symbol	An-	Date	Ex- Ra-
Market Cap	\$ 531 M	Triarc	TRY						
		<p>Triarc is selling Snapple Beverage Group to the world's #3 soft drink maker, Cadbury Schweppes for \$1.45bn. The deal includes \$420m of Snapple's debt, and supersedes Triarc's plan for a partial initial public offering of its soft drinks assets. Triarc had planned for an IPO of 20 per cent of Snapple, which was expected to value the drinks group's equity at about \$500m or more. Cadbury is buying Triarc's entire beverages business, including the Snapple, Mystic and Stewarts brands and Royal Crown soft drink concentrates. Triarc's premium drinks group reported earnings before interest, tax, depreciation and amortization of \$79.5m last year, on revenues of \$651m. Its sale will leave Triarc effectively debt-free, with about \$400m in net cash for acquisitions. The acquisition also represents a return to favor for the Snapple brand, which Quaker Oats bought in 1994 for about \$1.7bn. Snapple, which gained mass popularity through quirky advertising, turned into an albatross for the US Food Company, which, had to sell it to Triarc three years ago for \$300m. By that time the poor performance of the brand had cost several senior Quaker executives their jobs.</p>						<h1>SOLD</h1>	

Price (10/06/00):	\$53 1/2	Listed				Date	Spin-Off	Tax	
Shares Out.	137.5M	Parent	Symbol	Op-	Spin-Off	Symbol	An-	Date	Ex- Ra-
Market Cap	\$80.7 B	Viacom	VIA		MTVi	MTVI	02/11/00		
		<p>On September 28th, MTVi Group Inc., MTV Network's producer of online music content, said although it had not withdrawn plans for an IPO, it did not plan to move forward with one just now. The news comes after MTVi announced it was laying off 105 workers, about a quarter of its staff, as part of a restructuring plan. Most of the layoffs are concentrated in the editorial and technology divisions. A MTVi spokesman said the restructuring would help the company become profitable more quickly. The layoffs make MTVi the most recent Web operation controlled by a major media company to stumble. Several Internet media networks, including Walt Disney Internet Group and NBC Internet Inc., have undergone transformations to bolster their operations and move more toward profitability.</p>						<h1>Canceled</h1>	
		<p>The MTVi Group is the world's leading online music entertainment company, with 22 music Website destinations around the world, including MTV.com, VH1.com and SonicNet.com. Backed by the global television promotional power of MTV and VH1, the MTVi Web sites are focused on creating the most compelling, innovative online music experience. MTVi features MTV.com, VH1.com, and SonicNet.com. MTV.com targets music fans between the ages of 13 and 24 and is consistently ranked the number one music content site in the 12-17 demographic, according to Media Metrix. VH1.com is focused on music fans who are in the 25-plus age range. SonicNet.com is a full-service music network with genre spanning content aimed at all age groups.</p>							

Fresh Spin-Off Situations

Apollo Group IPOs University of Phoenix Online Tracking Stock

On September 28, Apollo Group (Nasdaq:APOL) carved out 5.75 million shares of its University of Phoenix Online (Nasdaq:UOPX) tracking stock at \$14 per share (including 750,000 shares to cover underwriter's over-allotments). The stock increased 27% and closed at \$17.81 per share, for an initial market value of \$935 million. The for-profit education firm raised \$73.8 million in the offering, after offering expenses of \$6.7 million. All of the net proceeds will be allocated to University of Phoenix Online to provide working capital to increase marketing and sales activities over the next 18 to 24 months. The stock is assumed to track the unit's performance and does not include any rights to claims on its assets. And because of the unique regulations governing the ownership of accredited colleges, shares will also have no voting rights. The University of Phoenix provides post-secondary education primarily to working adults over the age of 25.

The online unit of Apollo Group's University of Phoenix offers about a dozen degree programs to some 12,000 students who access class notes and lectures from home through the Internet. Its classes -- covering business, education, information technology, and nursing -- target nontraditional and working adult students (almost half the students are between 34 and 45-years-old). The company hopes to attract international students who can't afford to travel to the US and plans to develop customized training content for third-party clients. It has offered online courses since 1989, so it has an inventory of proven courseware and a delivery system.

Apollo is one of the largest providers of higher education for adults in the US, with total degree enrollment exceeding 94,000 students. University of Phoenix is the US's largest private university. Apollo also runs Western International University and the College for Financial Planning. Its Institute for Professional Development develops and manages programs at 21 private universities in 22 states. Apollo also offers its courses through the Internet. CEO John Sperling and his son Peter (SVP) together own about 35% of Apollo, but control

nearly all of its voting stock. The company generates about 90% of its revenues from its 28 UOP campuses located online, and in 15 states, Puerto Rico, Vancouver, and British Columbia. The graduation rate is in the 60% area.

Reception to the unit's online degree programs has been positive. Sharp revenue growth has been matched by profitability. However, the unit's expansion plans are expected to generate losses and negative cash flows for the near future. Between FY98 and FY99 (8/31) revenues increased by 54.3% to \$69.6 million, with a 30.9% gross margin and an 11.2% (\$7.8 million) net profit. Between 9 months FY99 and 9 months FY00 (5/31) revenues increased by 41.2% to \$71 million, with a 48.9% gross margin and a 16.1% (\$11.5 million) net profit.

The principal drawback to this offering, in our view, is the tracking structure. In general, investors have grown more skeptical of this restructuring technique this year. We believe that this structure will penalize the stock. This is very much a "trust me" situation. Apollo Group retained 46.75 million (of the 52.5 million outstanding) shares of the online tracker. Apollo has about 75.24 million total shares outstanding (comprised of 27.4 million Class A, which is owned by management, 47.4 million Class A that the public holds, and 512,000 Class B shares). **Thus each share of Apollo Group has 0.62 shares of University of Phoenix Online embedded.** As of the close on October 3, this represented \$13.50 (\$21.75 x .62) of UOPX inside each Apollo share (or 34.2% of Apollo's value). University of Phoenix now enjoys a market value of \$1.14 billion, which is 12 times the annualized nine-month sales figure.

We do not believe that University of Phoenix Online will sustain a market value in excess of \$1 billion for the long haul. eCollege, a loosely related IPO, went public on December 15, 1999 at \$11 share. It recently traded at about \$6.50, off 45% from the IPO price. We would

not participate directly in UOPX. If one were bullish on the concept, we would suggest buying the parent.

In fact, we would view the University of Phoenix as a decent short candidate.

Apollo Recent Results

On October 5, Apollo Group reported Q4 EPS of \$0.28 versus the street estimate of \$0.26. Enrollment growth in Apollo's physical campuses was under 15% versus Q300 enrollment growth of 18%. Online enrollment growth was over 50% compared to Q300 growth of 45%. Instruction costs and services went from 58% of sales in Q499 to 55% in Q400. Total revenues for the fourth quarter of fiscal year 2000 increased by 21.6% to \$165 million, compared to \$135.7 million in the fourth quarter of fiscal 1999. Net income for the quarter increased 30% to \$21.3 million, compared to \$16.4 million, or \$0.21 per diluted share.

Total revenues for the fiscal year ended August 31, 2000 increased by 22.3% to \$610 million, compared to \$498.8 million for the prior fiscal year. Net income for the fiscal year ended August 31, increased to 71.2 million, or \$0.93 per diluted share, as compared to \$59 million, or \$0.75 per diluted share in the prior fiscal quarter. Consolidated degree enrollments at August 31, 2000 increased by 19% to 100,900 students compared to 85,100 students at August 31, 1999. Degree enrollments at the University of Phoenix were 80,500

students, compared to 66,800 students at August 31, 1999 representing a 21% increase in degree enrollments. Apollo finished the year with \$160 million in cash. DSOs at year-end were 47 days. Free cash flow generated was \$83.3 million versus \$30.1 million year over year.

UOP opened three new campuses in fiscal '00, and two of these campuses did not begin enrolling students until Q400. The company typically opens 4 – 6 new UOP campuses per year. The company plans to open new campuses in Cleveland, St. Louis, Boston, and Houston over the next few quarters. We would anticipate that the physical campuses could face some cannibalization from the online campuses. The online business is using a national advertising campaign to increase visibility. UPO online hopes to achieve its enrollment growth goals of 50 – 60% but, it may come at the expense of the physical campuses.

On the conference call, management suggested that Apollo would generate about \$170 million in revenues for Q1 (November), with operating margins around 13.5%. EPS was estimated to be \$0.20. In addition, the projected full year revenues to fall in the \$728 to \$735 million range (with operating margins in the 13.9 to 14.2% range). Management estimated that full year EPS would be between \$0.85 and \$0.87 a share.

Apollo Group (APOL-Nasdaq)

Price (10/5/00)	\$42.50	EPS 2000 A	\$0.98	P/E = 43x
52 Week Range	\$47 – 17	EPS 2001 E Consensus	\$1.07	P/E = 39x
Shares Outstanding	75.24 M	Price/Book	34x	
Market Value	\$3.2 B	EV/EBITDA	22x	
ROE (8/00)	27%	Revenue 2000 A	\$610 M	

Fresh Spin-Off Situations

Dun & Bradstreet and Moody's Split

Dun & Bradstreet began trading regular-way on October 3rd, and closed at \$18.25 (equal to \$9.125 for each old share of DNB). One share of new DNB was distributed for every two shares old DNB held. DNB shareholders received one share of Moody's Corp., which closed the first day of trading at \$26 9/16. Adding the two parts would have equaled \$35.68 for each old DNB share. Dun & Bradstreet (NYSE:DNB) is the world's largest provider of business-to-business credit (about 65% of sales), marketing and purchasing information (25% of sales), and receivables management services (10% of sales). DNB has more than 150,000 customers worldwide, including more than 80 percent of the Fortune 500. The company manages the world's largest commercial database with information on 60 million companies. DNB had had revenues of \$1.41 billion in 1999, and generated \$240 million in operating income. The company received about \$300 million in net debt in the spin. Based on 82.1 million shares, DNB has a market value of \$1.5 billion on its first day of trading. DNB earned \$1.35 in 1999 on a pro forma basis. DNB was excluded from the S&P since the separation from Moody's.

Customers use DNB's D-U-N-S Numbering system for identifying businesses among thousands of companies, marketplaces and regulatory entities. Companies use it to link information about suppliers, customers and trading partners to garner a more complete picture of the risk and opportunity in their business relationships. This business represents about 2/3rds of DNB revenue base and is expected to be flat in 2001. In addition, DNB provides "Marketing Solutions" that help business conduct market segmentation, customer profiling, prospect selection, and marketing list development. Other products include "Purchasing Solutions" which assist business professionals identify, qualify and monitor suppliers. DNB documents potential suppliers' current business and production capabilities, relative position within the

marketplace and historical performance, and assesses the potential for risk. This area accounts for 25% of DNB's revenue and is expected to grow around 8 – 9% in 2001. DNB also provides "Receivables Management Services" that help businesses manage accounts receivable from virtually anywhere in the world. This business generates about 10% of DNB's sales and is expected to grow in the 15% range.

New Management

Allan Loren joined DNB on May 30, 2000 as Chairman and Chief Executive Officer of the Dun & Bradstreet company. Before joining DNB, Loren spent six years as Executive Vice President and Chief Information Officer at the American Express Company. Prior to that Mr. Loren was President and CEO of Galileo International, (1991-94), a global computer reservation system owned by 12 airlines. Before that Mr. Loren served as President of Apple Computer U.S.A.

The (New) Dun & Bradstreet Corporation wrapped up its roadshow this week following its spin from Moody's over last weekend. We attended the roadshow in Chicago on October 5th. Mr. Loren made an excellent presentation. Mr. Loren described how he intends to transform DNB from a "under performing organization with under leveraged assets" to a "high performing growth company" (over three years). The company expects annual earnings per share and operating income growth of 10 percent and revenue growth of 3 percent (in constant dollars, as about 1/3rd of sales is derived outside the U.S.) during the next three years. A 3 percent top-line growth and a three-year transition period may put off some investors. But, our experience with spinoffs suggests that management is setting a "low-bar" to jump over.

DNB plans to reallocate a portion of its current spending to create the financial flexibility needed to implement its new strategy. The company has identified \$100 million, which will be reallocated to

enhance its current business, most notably the webification of the business. About \$20 million of that savings (\$0.14 - \$0.15 per share, net) will drop to the bottom line quickly.

Mr. Loren said this can be done by globalizing administrative functions (\$23 million), streamlining data collection and fulfillment (\$26 million), rationalizing sales and marketing functions (\$22 million) and consolidating and simplifying technology functions (\$29 million). The company will take a one-time charge of up to \$100 million pre-tax in the fourth quarter of 2000. The charge will be used to cover mainly severance costs (about 80%). In addition, DNB is also evaluating potential opportunities to monetize assets, which could generate somewhere between \$200 and \$400 million pretax (likely an international divestiture).

DNB plans to enhance areas of its current business, primarily in the small business and global accounts. The company expects to significantly deepen the penetration in both of these segments. By 2003, Mr. Loren expects to increase revenues by \$50 million in the small business market (by providing products geared to small businesses) and by \$25 million from deeper penetration of global accounts.

DNB plans to become a significant player in B2B E-Commerce. DNB intends to lever their strong brand to implement a B2B strategy. Mr. Loren suggested by the end of 2002, 80% of DNB's business will migrate to the Web, from 14% of sales now (and this will represent 100% of what can go the Web). The company's move to the Internet should be rapid. Whereas \$100 million of 1999's \$1.4 billion in revenues emanated from products/services distributed via the Internet, that figure should rise to \$200 million this year. The B2B marketplace is projected to grow to \$15 trillion in 2004. DNB is now in the Off-line and EDI sectors of that marketplace that will account for an estimated \$14 trillion in 2004. Management feels that the Dun & Bradstreet brand franchise is key for the Web, where trust and confidence is critical.

DNB's stock closed at \$20 13/16 on October 5th. This suggests that DNB is trading at roughly 13.8x the \$1.50 management has endorsed (\$1.35 plus 10%) for 2000. **We would guess that DNB could earn about \$1.70 in 2001. Applying the current multiple suggests a price target of about \$23.50.**

Moody's Added to S&P 500

Moody's has a wonderful franchise. Moody's is a global credit rating, research and risk analysis firm. The company publishes research and ratings on fixed income securities, issuers of securities and other credit obligations. During the past 20 years, Moody's revenue and EBIT growth has each averaged 17% per annum with average revenue growth slowing modestly to 15% during the past five years while average EBIT growth improved to 20%. Going forward, the expectation is for low double-digit revenue growth on average with stable margins and free cash flow paying down debt and buying back shares, should lead to mid-teens EPS growth. Moody's put its rating's market-share at 37% slightly below Standard % Poors' 42%, with Fitch IBCA, Duff & Phelps coming in at 18% (leaving 3% for all other). Historically, Moody's has been a cash cow, throwing off its immense cash flow to the parent. Now that cash flow will accrue directly to Moody's shareholders.

On a pro forma basis, Moody's generated \$565 million in revenue in 1999, and produced \$270 million in operating income. EPS was \$0.84 in 1999. Moody's began trading regular way on October 3, at \$26 9/16 a share (or 32x 1999 pro forma EPS). This implied a market value of \$4.29 billion, based on 162 million shares. We expect Moody's can earn \$.90 this year and about \$1.00 next year.

Fresh Spin-Off Situations

Global Crossing to IPO Asia Global Crossing

After the recent decline of technology stocks, Asia Global Crossing increased the number of shares of its IPO to 68 million class A shares but lowered the price to \$7 per share. This represents the third change in the size of the offering and the second decline in the price of the offering. The strategic investors of Hutchinson Whampoa Ltd., Singapore Technologies Telemedia and Microelectronics Technology Inc. will purchase up to 19.7 million shares of the offering. Pacific Global Group, a Global Crossing affiliate, may buy up to 3 million shares. The underwriters (Goldman Sachs and Salomon Smith Barney) have may also purchase 7 million shares for their own accounts. If these investors actually purchase the stock, only 31.3 million shares of Asia Global Crossing would be available to the public. After the IPO, Asia Global Crossing will have of 554.6 million aggregate shares outstanding, of which 68 million are class A and 486.6 million are class B. The company's founding members (Global Crossing, Microsoft and Japan's Softbank) own the class B shares and control 98.6% of the aggregate voting power of the company. Class A shares have 1 vote/share; class B shares have 10 votes/share. Asia Global Crossing will trade under the symbol "ACGX". Concurrently with this equity offering, ACGX will conduct a debt offering for about \$400 million, for which the company is going to have to pay a 1% higher bond yield of about 13 ½% - 13 ¾%. The net proceeds from both offerings are estimated to be \$876 million (originally estimated at \$1.3 billion before lowering the number of shares and offering price). ACGX will use the proceeds to build its network, invest in telecom and Internet companies, repay debt, purchase shareholder loans and future commitments from Global Crossing, and for general corporate purposes.

ACGX is building to become a pan-Asian telecommunications carrier that provides Internet, data, voice and Web-hosting services to wholesale and business customers. The company also intends to offer data center services in addition to adding advanced Internet services, including e-mail hosting, unified messaging and storage, data transport services, and integrated voice and data services (video

conferencing and e-commerce services). Having established operations in Japan and Hong Kong, the company plans to serve, by the end of 2001, Taiwan, Korea, Singapore, Malaysia, the Philippines and, if and when regulations permit, China. As a result of Global Crossing's sale of GlobalCenter to Exodus, ACGX and Exodus are forming a joint venture in Asia for web hosting services. Respectively, Exodus and ACGX will own 67% and 33% of the venture, which Exodus will manage. ACGX will become the primary network provider for Exodus in Asia and will provide about 60% of the JV's networking requirements.

The telecommunications industry is extremely competitive, so the success of ACGX will depend on its ability to compete against a variety of companies. These include national telecommunications carriers, who traditionally had a monopolistic or dominant presence (the NTT group of companies, Singapore Telecom and Hong Kong Telecom), undersea cable operators (such as Tycom, 360networks, and Level 3), other global telecommunications companies (MCI WorldCom, AT&T and British Telecommunications) and Web-hosting (Level 3, PSINet, and Genuity). Finally, ACGX will continue to operate in countries with somewhat fragile economies and, as a result, be subject to foreign currency risk.

Valuation

ACGX is a bet on the Internet in the Pacific Rim. While the potential in the region is enormous, there are some risks. The company has not completed building its network. Next, a large percentage of the population in the Pacific Rim region is not online. Thirdly, ACGX is funding some of its network construction with debt. Lastly, the company operates in a competitive environment with declining prices. As a result, ACGX will probably remain in the red as long as the company continues to build its network. There does not appear to be much of a catalyst to drive the stock out of its expected price range. The stock appears to be for an investor who is willing to wait a number of years. At \$7 per share, ACGX would have a market capitalization of \$3.9 billion, and a share of Global Crossing would have \$2.44 of ACGX embedded in it.

Comparables

Company	Global Crossing	AT&T	MCI WorldCom	Qwest	Average Comp	Asia Global Crossing	Level 3 Com	TyCom	PSINet	Average Comp
Ticker	GBLX	T	WCOM	Q	Average	ACGX	LVLT	TCM	PSIX	Average
Current Implied Price	\$ 26.43	\$ 32.25	\$ 33.75	\$ 51.06		\$ 7.00	\$ 16.13	\$ 44.81	\$ 21.63	
Shares Out. (000,000)	904.0	3,756.1	2,872.9	1,660.8		554.6	366.6	520.3	190.1	
Market Cap (000,000)	\$ 23,892.6	\$ 121,134.3	\$ 96,960.0	\$ 84,805.5		\$ 3,882.4	\$ 5,911.3	\$ 23,315.9	\$ 4,110.3	
Enterprise Value (000,000)	\$ 28,984.1	\$ 178,855.3	\$ 118,262.0	\$ 102,970.5		\$ 5,032.4	\$ 13,087.3	\$ 23,973.1	\$ 7,724.0	
EPS										
2000E (Diluted)		\$ 2.21	\$ 1.86	\$ 0.46			\$ (4.35)	\$ 0.55	\$ (4.94)	
Forward P/E		14.59	18.18	112.23	48.33			81.63		
Enterprise										
Enterprise Value / EBITDA	211.09	8.45	8.44	49.49	22.12	774.21	(21.60)	48.49	104.75	43.88
12 month Trailing										
EBITDA Per Share	0.15	5.64	4.88	1.25		0.01	(1.65)	0.95	0.39	
EBITDA Multiple	174.01	5.72	6.92	40.76	17.80	597.29		47.16	55.74	51.45
EBITDA Margin	4.33%	32.74%	35.63%	30.41%		3.83%	-84.40%	20.11%	8.91%	
12 month Trailing										
Trailing Sales	\$ 3,168.2	\$ 64,661.0	\$ 39,346.0	\$ 6,842.3		\$ 169.8	\$ 718.0	\$ 2,458.9	\$ 827.2	
Price to Sales	7.54	1.87	2.46	12.39	5.58	22.87	8.23	9.48	4.97	7.56
Gross Margin	43.01%	53.30%	58.97%	45.13%		37.82%	30.22%	24.41%	45.13%	
Operating Margin	-20.29%	20.05%	24.08%	18.69%		-2.77%	-134.96%	18.13%	-50.27%	
Book Value	\$ 13.09	\$ 28.33	\$ 18.87	\$ 24.92		\$ 3.94	\$ 14.50	\$ 0.31	\$ 9.05	
Price to Book	2.02	1.14	1.79	2.05	1.66	1.78	1.11	146.46	2.39	49.99
Turnover's										
Account Rec. Turnover	4.63	5.39	5.61	1.79		1.04	2.92	7.27	2.66	
Current Asset Turnover	1.64	4.34	3.26	1.18		0.10	0.10	2.96	0.42	
Working Capital Turnover	(117.21)	(2.33)	(19.88)	(1.75)		0.11	0.14	(17.87)	0.70	
Returns										
Return on Average Equity		6.71%	9.66%	1.37%			-20.12%	80.84%	-74.74%	
Pre-Tax Average ROA		6.40%	10.28%	1.83%			-8.24%	20.56%	-5.89%	
Return on Average Assets		3.00%	5.43%	0.82%			-7.57%	12.22%	-13.28%	
Return on Capital		4.62%	7.35%	1.02%			-5.71%	32.45%	-7.50%	
Current Ratio	0.99	0.35	0.86	0.60		9.94	3.73	0.86	2.48	
Quick Ratio	0.74	0.29	0.55	0.49		10.12	3.62	0.37	2.10	
Cash Ratio	0.39	0.01	0.05	0.09		9.15	3.49	0.02	1.71	
Cash per share	0.85	0.11	0.23	0.54		2.75	17.47	0.04	7.20	
Degree of Financing Leverage (EBIT/EBT)	1.17	1.47	1.05	3.39	1.97	0.05	0.84	1.04	0.55	0.81
Financing Leverage (Assets/Equity)	1.96	2.29	1.80	1.69	1.92	1.72	2.76	11.62	4.10	6.16
Debt to Capital	30.08%	35.17%	28.21%	30.50%		34.49%	57.44%	80.50%	67.74%	
Debt to Book Equity	43.02%	54.24%	39.30%	43.89%		52.65%	134.96%	412.81%	209.99%	
Debt to Enterprise Value	17.57%	32.27%	18.01%	17.64%		22.85%	54.83%	2.74%	46.79%	
Liabilities to Equity	73.96%	117.59%	73.21%	68.76%		65.13%	176.30%	1029.33%	254.67%	

NOTES:

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Fresh Spin-Off Situations

ICN to Carve-Out Ribapharm

Ribapharm, a wholly-owned subsidiary of ICN Pharmaceuticals (NYSE: ICN) is going to offer 18 million of its class A common shares that are expected to price in the range of \$13 - \$15. After the offering, Ribapharm will have 142.86 million shares outstanding in aggregate. These consist of 18 million class A shares that have one vote/share and 124.86 million class B shares that have five votes/share. As the only holder of the class B shares, ICN elects one director directly and votes on the other directors. At \$14 per share, the offering would raise \$252 million. ICN, not Ribapharm, will receive the proceeds from this offering. Ribapharm applied to trade on NASDAQ under the symbol "RIBA". ICN may choose to distribute its interest in Ribapharm but has not announced whether a spin-off would happen.

Ribapharm is a biotechnology company that seeks to discover, develop and commercialize products for the treatment of unmet medical needs, principally in the antiviral and anticancer areas. The company's product ribavirin is an antiviral drug that Schering-Plough Ltd. markets under license from Ribapharm in combination with its interferon alfa-2b (under the trade name Rebetron) as a therapy for the treatment of hepatitis C. Ribapharm granted an exclusive license to Schering-Plough for all oral forms of ribavirin for the treatment of chronic hepatitis C. Ribavirin came from Ribapharm's library of chemical compounds, including nucleoside analog compounds. Nucleoside analogs are small-molecule-type chemicals that resemble the natural building blocks of human and viral genetic material (DNA and RNA). These compounds treat viruses and cancers by modifying the natural structure of DNA and RNA in a way that disrupts the replication of viruses and cancer cells. The company focuses its research efforts to capitalize on the company's nucleoside analog library and specifically to develop treatments for hepatitis C, hepatitis B, HIV, and cancer. All of Ribapharm's revenues come from royalties that Schering-Plough pays on all oral forms of ribavirin.

As a part of the offering Ribapharm received some rights regarding ribavirin from ICN, including all rights under the license agreement with Schering-Plough. **The completion of the equity offering for Ribapharm stock is dependent on the approval of ICN's debt holders.** Some of the company's competitors include Amgen, Chiron, Biogen, Immunex, and Genzyme. Through the first six months of 2000, the company's revenues increased by 67% (\$30.7 million) to \$76.6 million when compared to the first six months of 1999. Ribapharm's operating income and net income increased by 72% (\$29.7 million) and 73% (\$19.2 million) to \$70.7 million and \$45.2 million, respectively.

ICN Pharmaceuticals is a global, research-based pharmaceutical company that develops, manufactures, distributes and sells pharmaceutical, research and diagnostic products. The Company distributes and sells a broad range of prescription (or "ethical") and over-the-counter ("OTC") pharmaceutical and nutritional products in over 90 countries. These pharmaceutical products treat viral and bacterial infections, diseases of the skin, neuromuscular disorders, cancer, cardiovascular disease, diabetes and psychiatric disorders. The Company operates in two principal business areas: the pharmaceutical business (comprises approximately 92% of the company's total revenue), and the biomedical business (Ribapharm). The company's pharmaceutical business operates as five regional businesses: North America, Latin America, Western and Central Europe, Eastern Europe, and Asia, Africa and Australia. The company's biomedical business operates in three areas: research chemicals, dosimetry and diagnostic equipment. ICN pursues a strategy of international expansion to acquire products that complement existing products and can be introduced into additional markets and to create a pipeline of new products. The company competes against pharmaceutical companies including Forest Labs, Sepracor, Ivex Corp, and Sigma-Aldrich, among others. For the six months ended June 30, 2000, ICN's revenues increased by \$30.5 million (9%) to \$383.8 million. Non-royalty

revenues actually fell during the period by \$3.4 million (1%) to \$307.7 million. Net income and EPS increased as well. Net income increased by \$10 million (21%) to \$58.5 million; EPS increased by \$0.13 (22%) to \$0.72.

Possible Delay in the Offering

Several issues are hanging over the proposed offering - the status of a lawsuit filed by the SEC, poor share price performance and shareholder lawsuits against ICN and its CEO, Milan Panic. The SEC began an investigation of Panic and ICN for alleged insider trading but later dropped the inquiries. Currently, the SEC is trying to bar Panic from serving as an executive or director of any publicly traded company. The poor performance of ICN stock has frustrated shareholders. Shares of ICN are 40% off the May 1998 high of 52 1/4. Shares of ICN closed at \$34 1/16 on October 5.

Some shareholders also want to oust Panic (whom shareholders believe is a liability to the company) and some board members (whom shareholders feel are not truly independent from the company). In June 2000, ICN announced that it would carve out parts of the biotech and Eastern European businesses into two separately traded companies by the end of the year. ICN would control both, and Panic would chair all three. By dividing ICN into three stocks, Panic is hoping that shareholders will see that ICN is undervalued. After announcing this plan (that shareholders believed did not live up to promises that it would boost the stock price), shareholders became even more upset. ICN shares fell 20% on the day of the announcement. Investors had wanted ICN to shield the company's biotech business from the volatile Eastern European operations.

After shareholders voiced their displeasure over the restructuring and having Panic on the board of Ribapharm, Panic left the chairman's post at Ribapharm. This did not placate shareholders who have warned that they would file a lawsuit to block the proposed IPO of Ribapharm, demanded a stockholder list and asked for documents related to

the planned restructuring to investigate possible mismanagement and wrongdoing. Shareholders are also looking into whether the creation of Ribapharm and the transfer of assets to Ribapharm without shareholder approval violated the law. Shareholders of some 16% of ICN's voting stock have said that if ICN's stock price does not improve drastically they will try to oust Panic and the board members who support him and replace them with their own representatives. In addition to ousting Panic, the shareholders want to elect a more independent board. Some 8 of the 15 directors have received compensation as employees or consultants to ICN in 1997 and 1998.

Valuation

There are a considerable number of unknowns that need to be resolved before Ribapharm would ever become public. First of all, it is doubtful that debt holders would approve the offering. For the offering to occur, debt holders would have to agree to transfer the rights of ICN to Ribapharm for the royalties received from licensing ribavirin, which currently generates a considerable portion of ICN's cash flow. Next, shareholders may file a lawsuit to block the IPO or engage in a proxy fight to remove some of the current board and management. Lastly, the SEC is trying to remove the current chairman. In light of this, there does not appear to be much upside to ICN from the carve out of Ribapharm. If Ribapharm were to begin trading at \$14 (the midpoint of its price range), the ICN stub would be worth about \$12 per share. This would equate to each share of ICN of having \$20 of Ribapharm embedded in it. At these prices, both companies would appear to be undervalued relative to their peers. In spite of being this, shares of ICN and Ribapharm would probably not appreciate until many of the issues surrounding the company and management are resolved and/or until ICN were to spin-off its shares of Ribapharm after the carve out.

Fresh Spin-Off Situations

Pharmacia to Carve-out Monsanto

On August 30, Monsanto (Pharmacia's Ag subsidiary) filed its S-1/A. The filing was updated on September 26th. We expect the issue to price in the middle of October. Prior to December 1999, Monsanto was a public company with chemical and agriculture products. At that time it was merged with Pharmacia-Upjohn (April 2000) to create Pharmacia. Monsanto will float about 14% of its shares (with Pharmacia retaining the balance) at about \$22.50 (based on the midpoint of the offering range). **If the company sells 35 million shares at \$22.50, Monsanto will have a \$5.7 billion market value based on 255 million shares outstanding.** Pharmacia's 220 million Monsanto shares would be worth \$4.95 billion, or about \$3.80 per PHA share. Pharmacia currently trades at \$57 a share. The stock is expected to trade on the NYSE under the symbol "MON". There are no plans for a subsequent spin-off. The "new" Monsanto is focused on agribusiness and makes herbicides, seeds, and biotech crop treatments. Pharmacia is a research based pharmaceutical company, manufacturing and marketing pharmaceutical products.

This is a large, but somewhat mature industry. Agricultural chemicals was an estimated \$28.1 billion global industry in 1999. Agricultural biotech products are still in a growth phase. Between '95 - '99, the number of biotech planted crops increased from 5 million to 120 million acres, with Monsanto products used in 86 million acres. However, this is still a small share of the estimated 3 billion planted acres worldwide. Unlike the typical new offering this year, Monsanto has considerable revenues (\$5.3 billion in 1999), a global reputation, and significant profitability. Monsanto holds the #1 share in herbicides worldwide (with its Roundup products); the #1 share of European wheat; and the #1 -#2 share of the global corn and soybean seed market. In

addition, Monsanto plans to pay a \$0.48 annual dividend (suggesting a 2% yield off the projected IPO price. International sales represented 45% of Monsanto's business.

Issues to Consider

Patents on Monsanto's leading Roundup products recently expired, exposing 50% of the business. Consequently, the firm has lowered prices 16% to 22% to remain competitive. There is a worldwide concern with bioengineered agricultural products. They are prohibited in Europe, avoided by some food companies (e.g., Gerber), and may be subject to increased U.S. regulation. All of the offering proceeds are being diverted to debt reduction. There is a considerable amount of pending litigation and the firm may be subject to anti-biotech advocacy inspired class actions.

Recent Performance-Monsanto

Between 1998 and 1999 revenues increased by 18% to \$5.3 billion, with a 51.3% gross margin and a 3.1% (\$163 million) net profit (adjusted for one-time charges). Between six months 1999 and the first half of 2000, revenues increased by just 4.9% to \$3.3 billion, with a 54.8% gross margin and an 8.9% (\$292 million) net profit (adjusted for one-time charges). On a fully diluted basis the EPS (adjusted for one-time items) for the first half of 2000 was about \$1.15. We would not extrapolate the six-month number because Monsanto's sales are highly seasonal. Q3 is typically weak since it falls between the Northern and Southern Hemisphere planting seasons.

Pharmacia is one of the better-positioned companies in the industry for the next few years. The pharmaceutical business continues to benefit from the worldwide rollout of major new products such as Celebrex (an arthritis product recently launched in Europe), Xalatan, (Glaucoma, still launching in Japan), Camtosar (chemotherapeutic agent), Zyvox (just launched in the U.S.) and Detrol (incontinence).

Growth in these products should lead to steady improvement in gross margins.

Recent Performance-Pharmacia

In August, Pharmacia reported Q200 EPS of \$0.47, up 18% versus pro forma Q299 EPS of \$0.40. Total sales were \$5.029 billion, up 16% , paced by 18% growth in pharma (\$3.18 billion) and 13% growth in Ag (\$1.8 billion). Management reiterated its confidence in achieving its stated goal of a 20% plus annual compound growth rate in EPS from 1999- 02. Gross margins improved 170 basis points to 70.6%. Excluding the Ag division, pharma margins were up 240 basis points improving to 77.6%. Net margins were 12.4% in Q200.

On October 5, Pharmacia announced that U.S. regulators approved its once-a-month injectable contraceptive for women, and expect it to serve as another alternative to "the pill" which is taken daily as a means of birth control. FDA approved its filing for the contraceptive, called Lunelle, a drug that contains both estrogen and progestin -- female hormones found in oral contraceptives. Although chemically similar, Pharmacia is touting greater convenience as Lunelle's selling point. Pharmacia expects Lunelle to represent 3-to-5 percent of the \$2 billion U.S. oral contraceptive market about three years after launch. Pharmacia said Lunelle will be comparable in price to the \$30 to \$37 per month charged on average for birth control pills in the U.S. and be administered in clinics and doctors' offices, just as patients get monthly allergy and flu shots.

Pharmacia (NYSE-PHA)

Price (10/6/00)	\$57	EPS 1999A	\$1.12
52 Week Range	\$61 – 34	EPS 2000E Cons.	\$1.56 P/E=36.5x
Shares Outstanding	1.29 B	EPS 2001E Cons.	\$1.91 P/E=29.8x
Market Value	\$73.5 B	1999 Revenues	\$16.4 B
Dividend/Yield	\$0.48/0.8%	Fiscal Year	December

Fresh Spin-Off Situations

Sara Lee Carves-Out Coach

On October 4, Sara Lee Corporation (NYSE: SLE) priced 7.38 million shares of Coach, its leather goods division, at \$16 per share. The net proceeds of the offering totaled about \$106 million. Coach plans on using the proceeds to repay a portion of the note payable to Sara Lee. Before the IPO, Coach restructured its equity, which resulted in Coach's recording \$72 million of debt. Currently, Sara Lee plans to offer its stockholders the opportunity to exchange Sara Lee common stock for Coach common stock in a tax-free split-off within the next 12 months. After the offering, Coach will have 42.4 million shares of common stock outstanding, of which Sara Lee will own 35 million (82.6% of the outstanding shares). Coach trades under the symbol "COH".

Coach, Inc. designs, manufactures, markets and sells primarily premium leather handbags and accessories for men and women. Third-party suppliers as well as Coach-operated manufacturing facilities manufacture Coach products. Coach's primary product offerings include handbags (56% of net sales), men's and women's accessories (11%), business cases (7%), luggage and travel accessories (5%), personal planning products (3%), leather outerwear, gloves and scarves (2%). Licensing accounts for the balance of the revenues. With the company's licensing partners, Coach also offers watches (through Movado), footwear (through Jimlar), furniture (through Baker Knapp & Tubbs) and eyewear (through Signature Eyewear) under the Coach brand name. The company markets products via company operated retail stores (106 in the US), direct mail catalogs, e-commerce website (coach.com), factory stores (63 in the US), and via selected upscale department and specialty retailer locations (1,400 in the US) and international department, retail and duty free shop locations (175 outlets in 18 countries). Coach operates 2 manufacturing facilities, 3 warehouse, distribution, and product development centers, 106 US retail stores, 63 US factory stores and 2 retail locations in the UK.

Sara Lee Corporation is a global conglomerate that manufactures and markets brand-name products for consumers throughout the world. The company is in the process of reducing its number of businesses from five (Sara Lee Foods, Coffee and Tea, Household and Body Care, Foodservice, and Branded Apparel) to three (Household Products, Intimates & Underwear, and Food & Beverage). Sara Lee has already announced the sale of its foodservice business (PYA/Monarch) for \$1.6 billion and announced plans to divest itself of its fashion-oriented businesses by the end of 2000 (Champion, Coach, and Courtald textile). After restructuring, the company will generate about 45% of revenues from Food & Beverage, 43% from Intimates & Underwear, and 12% from Household Products. The company would consider divesting additional 15-20 food and clothing divisions in Europe. However, even after the company's restructuring, Sara Lee will still compete against many consumer product companies and operate several apparently unrelated businesses. Additionally, these remaining businesses are relatively mature and slow growing businesses. Complicating matters further, Sara Lee has significant exposure to foreign currency (including the Euro) given that 43% of its sales come from outside the US.

Valuation

Shares of Sara Lee do not appear to have much of a catalyst as the company executes its restructuring. After the restructuring, the company should continue growing earnings by high single digit or possibly low double-digit growth rate. While Sara Lee does not have a pure comparable company, it does appear to be trading in line with some comparable companies. On Coach's first day of trading, the share price rose by \$4 5/16 to \$20 5/16. This gives Coach a market value of \$861 million. Additionally, shares of Sara Lee would have \$0.82 of Coach embedded in them. Based on the valuation metrics of competitors, Coach would appear to be valued fully.

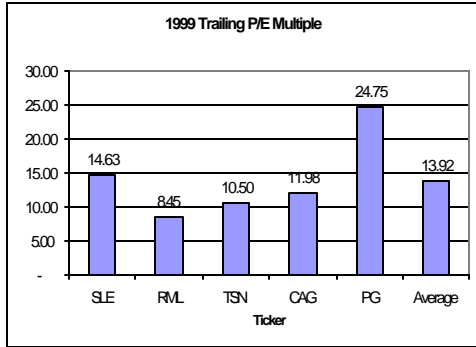
Comparables

Company	Sara Lee	Russell Corp	Tyson Foods	ConAgra	Procter & Gamble	Average Comp	Coach	Lands End	Samsontite	Wilsons	Polo Ralph Lauren	Average Comp
Ticker	SLE	RML	TSN	CAG	PG	Average	COH	LE	SAMC	WLSN	RL	Average
Current Implied Price	\$ 19.12	\$ 15.13	\$ 10.50	\$ 20.25	\$ 73.00		\$ 20.31	\$ 20.34	\$ 3.53	\$ 17.00	\$ 19.00	
Shares Out. (000,000)	869.6	32.6	122.5	532.8	1,307.9		42.4	30.3	19.7	16.7	30.9	
Market Cap (000,000)	\$ 16,625.5	\$ 492.7	\$ 1,286.0	\$ 10,789.9	\$ 95,476.7		\$ 861.4	\$ 616.2	\$ 69.7	\$ 284.1	\$ 587.5	
Enterprise Value (000,000)	\$ 20,728.4	\$ 981.9	\$ 2,894.4	\$ 15,836.9	\$ 108,936.7		\$ 956.5	\$ 634.6	\$ 505.6	\$ 314.7	\$ 998.3	
EPS												
TTM Estimated / Pro Forma (diluted)	\$ 1.31	\$ 1.79	\$ 1.00	\$ 1.69	\$ 2.95		\$ 0.83	\$ 1.15	\$ (2.31)	\$ 1.89	\$ 1.46	
TTM P/E	14.63	8.45	10.50	11.98	24.75	13.92	24.47	17.63		8.99	13.01	13.31
2000E (Diluted)	\$ 1.38	\$ 1.98	\$ 0.69	\$ 1.88	\$ 3.18		\$ 0.90	\$ 1.43	\$ 1.50	\$ 2.30	\$ 1.61	
Forward P/E	13.88	7.65	15.28	10.79	22.93	14.16	22.57	14.19	2.35	7.38	11.84	7.98
Enterprise												
Enterprise Value / EBITDA	8.90	6.87	3.88	8.24	13.02	8.00	13.07	7.00	5.76	4.61	3.03	5.79
Enterprise Value / EBIT	11.84	11.37	6.34	11.25	18.51	11.87	17.15	9.15	8.43	5.13	3.93	7.57
12 month Trailing												
EBITDA Per Share	2.68	4.39	6.10	3.61	6.40		1.73	2.99	4.45	4.08	10.65	
EBITDA Multiple	7.14	3.45	1.72	5.61	11.41	5.55	11.77	6.79	0.79	4.16	1.78	3.92
EBITDA Margin	11.76%	12.08%	10.38%	7.69%	21.05%		13.33%	7.00%	11.20%	12.35%	16.45%	
12 month Trailing												
Unlevered FCF per Share	1.67	2.25	0.58	0.78	2.05		1.00	1.71	(1.14)	2.05	2.05	
FCF Multiple	11.46	6.74	18.17	25.91	35.54	16.94	20.34	11.87	(3.09)	8.28	9.25	4.39
12 month Trailing												
Trailing Sales	\$ 19,814.1	\$ 1,183.1	\$ 7,192.2	\$ 25,007.5	\$ 39,740.0		\$ 548.9	\$ 1,296.3	\$ 784.2	\$ 552.6	\$ 2,002.5	
Price to Sales	0.84	0.42	0.18	0.43	2.40	0.86	1.57	0.48	0.09	0.51	0.29	0.36
Gross Margin	38.26%	26.46%	16.83%	16.37%	45.14%		59.91%	45.36%	42.15%	45.14%	45.14%	
Operating Margin	8.84%	7.30%	6.35%	5.63%	14.81%		10.16%	5.35%	7.65%	11.10%	12.70%	
Book Value												
Price to Book	1.61	16.39	17.71	5.80	8.51	3.40	1.37	9.98	(14.96)	7.83	25.33	1.32
	11.89	0.92	0.59	3.49	8.58		14.84	2.04	(0.24)	2.17	0.75	
Turnovers												
Account Rec. Turnover	10.62	5.87	13.25	12.67	13.32		35.26	75.81	10.25	98.67	11.64	
Current Asset Turnover	3.76	1.73	4.51	3.83	3.54		4.11	4.60	2.72	3.25	2.36	
Working Capital Turnover	(20.85)	2.25	8.90	53.37	63.38		10.14	8.73	4.98	5.10	4.20	
Returns												
Return on Average Equity		4.47%	8.12%	9.36%	31.68%			15.13%	0.06%	29.58%	19.01%	
Pre-Tax Average ROA		7.15%	9.15%	10.57%	16.70%			16.05%	10.43%	27.09%	15.80%	
Return on Average Assets		2.01%	3.50%	2.19%	10.10%			9.68%	-0.03%	15.09%	9.98%	
Return on Capital		3.89%	6.66%	5.44%	15.70%			13.32%	2.74%	22.59%	12.80%	
Current Ratio												
Quick Ratio	0.85	4.33	2.03	1.08	1.06		1.68	2.11	2.20	2.76	2.29	
Cash Ratio	0.35	1.34	0.72	0.33	0.49		0.20	0.47	0.69	1.26	0.84	
Cash per share	0.05	0.06	0.03	0.00	0.20		0.00	0.34	0.11	1.16	0.38	
	0.34	0.31	0.19	0.03	1.65		0.00	1.49	0.73	4.28	4.52	
Degree of Financing Leverage (EBIT/EBT)												
Financing Leverage (Assets/Equity)	1.10	1.85	1.69	2.48	1.08	1.78	1.10	1.04	4.25	1.06	1.32	2.12
	8.01	2.30	2.26	4.24	3.17	2.99	4.01	1.47	(1.86)	1.73	2.05	0.45
Debt to Capital												
Debt to Book Equity	74.59%	47.82%	42.58%	62.01%	54.73%		62.11%	5.74%	309.81%	18.95%	34.41%	
Debt to Enterprise Value	293.47%	91.64%	74.14%	163.21%	120.91%		163.90%	6.09%	-147.66%	23.38%	52.45%	
Liabilities to Equity	19.79%	49.82%	55.57%	31.87%	12.36%		9.95%	2.90%	86.22%	9.72%	41.15%	
	655.57%	130.39%	125.77%	307.14%	205.90%		301.18%	47.14%	-209.49%	73.03%	105.45%	
Interest Coverage												
Interest Coverage (Earnings)	7.91	2.55	3.28	2.92	9.19	4.49	8.13	47.74	1.25	12.29	13.66	20.43
EBIT/Interest Expense	7.55	2.88	3.88	4.77	8.86	5.10	7.87	48.82	1.18	12.30	13.35	20.77

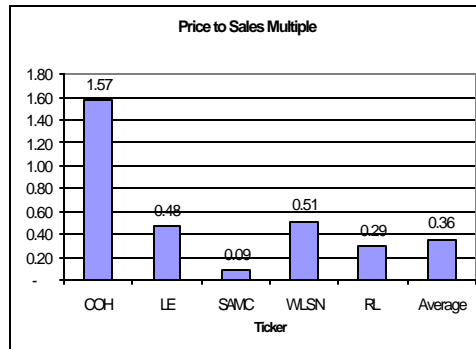
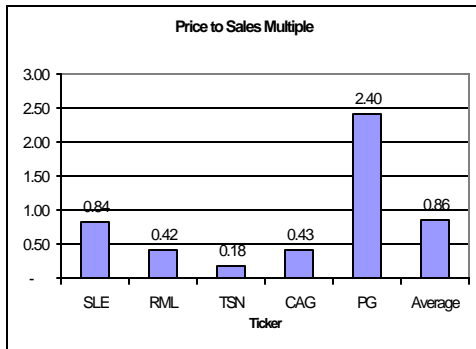
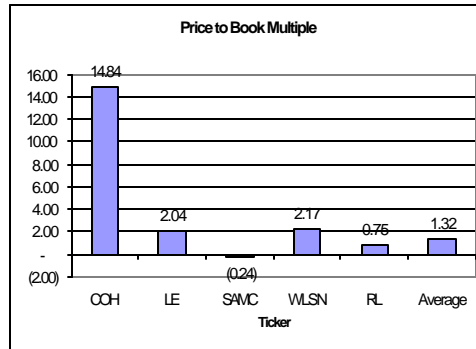
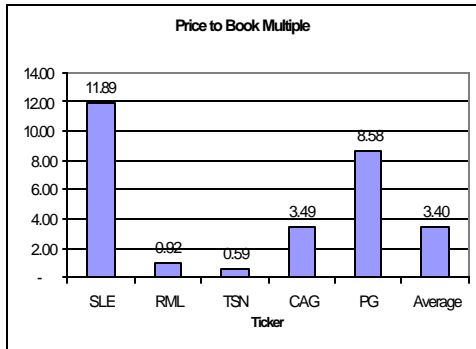
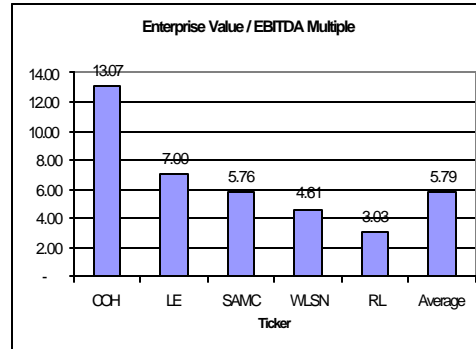
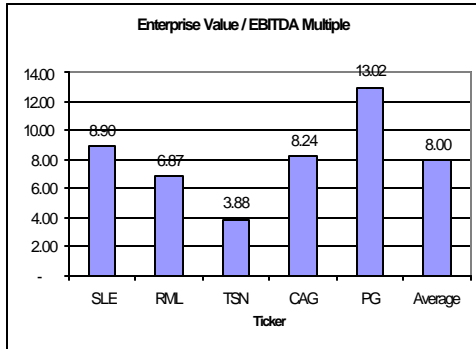
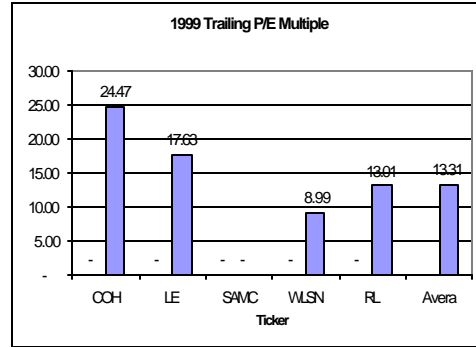
NOTES:

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Parent and Comparables



Spin-off and Comparables



Fresh Spin-Off Situations

Southern Company Carves-out Southern Energy

Southern Company (NYSE: SO) priced 20% of Southern Energy (NYSE: SOE) at \$22 per share raising \$1.46 billion. Southern Energy has a float of 66.7 million shares and currently trades around \$30 per share, a 36% premium to its offering price. Southern Company retained approximately 264 million shares and plans to distribute the shares to its shareholders within 12 months. **The IRS ruled that the distribution will be tax-free.** Each share of Southern Company contains about 0.4 shares of Southern Energy for an embedded value of \$12 per Southern share ($264/648=.40$). Based on comparables Southern Energy appears to be trading in line with its peer group (see chart).

As we have stated in our past report, the U.S electrical supply is short by about 75,000 MW and 2000 capacity additions are estimated at a modest 8,000 MW. To take advantage of this demand we believe energy producers who are highly regulated, will spin-off or carveout their less regulated IPP's (Independent Power Producers). We expect this trend to continue into 2001. NRG Energy was the first IPP carve-out (from Northern States Power now Xcel Energy). Xcel owns 82% of NRG and has no plans at present to spin-off its interest. Reliant (NYSE: REI) announced it would also carve-out its non-regulated business in late 2000 or Q1 2001. We believe other companies to watch include Duke Energy and PG&E, both of which could spin-off their IPP's. CMS Energy, which was on our "watch list" announced the spin-off of its oil and gas business on October 3.

Southern Energy

The company is one of the world's largest competitive providers of electricity and energy related products and services. The company has regionally based businesses in the Americas, Europe and the Asia-Pacific region. Southern Energy built and acquired a portfolio of power plants in which it has net ownership interests totaling 13,214 megawatts (MW) of generation capacity. In addition, the company has projects under development or pending acquisitions

totaling 10,925 MW. SOE also markets energy and energy-linked commodities and manages risk associated with market price fluctuations of these commodities. Southern Energy's revenue base for the first six months of 2000 are comprised of the Americas (62%), Europe (16%) and Asia (21%). Philippines National Power Corporation (NPC), a subsidiary of Southern Energy, generated almost 100% of Asian revenues and over 54% of net income for the six months ending June 30. Southern Energy's comparables include Duke Energy, NRG, and Dynegy.

Southern Company

Southern Company is a holding company for public utilities located in the southeast United States, as well as Southern Energy, Southern LINC, Southern Nuclear, SCS, Energy Solutions and other subsidiaries. The utilities supply electric service in Alabama, Florida, Mississippi and Georgia. Southern Company comparables include Cinergy, Entergy, and American Electric among others. Twelve month trailing sales are about \$9.9 billion on a stub basis with a market value for the stub business of about \$11.5 billion. Southern Company has about 648 million shares outstanding.

Valuation

While it appears that Southern Energy is trading within its industry peer group, I would point out that the sector has enjoyed significant upside recently given the fundamentals in the industry. We would not be surprised if there is still upside potential for the industry group and by proxy Southern Energy. Southern Company intends to distribute the remaining shares of Southern Energy by Q4 2001. Based on the current embedded value of Southern Energy, Southern Company (the parent), is valued at just \$17 ³/₄. Based on its peer group, the Southern Company stub should be closer to \$23 per share.

A second way to estimate our \$23 implied price target would be to take Southern Company's 2000 EPS estimate of \$2.04. They currently pay a \$1.34 dividend,

yielding a 4.53%, in line with its peer group. Southern Energy will contribute EPS of about \$0.50 per Southern Company share in 2000, indicating that on a stand alone basis Southern Company should earn around \$1.54 per share in 2000. If we back out Southern Energy's full contribution of \$0.50 (**from the dividend**), it would indicate a yield of 4.7% at its implied price ($\$1.34 - \$0.50 = \$0.84$, $\$0.84 / \$17 \frac{3}{4}$). If we apply the same pay out ratio of 65% (\$1.00) to our target price of \$23 the yield would be 4.3%.

Therefore, we would suggest the best way to invest in this situation is either to buy Southern Company outright, which would include exposure to Southern Energy or create the synthetic stub by buying Southern Company and shorting 0.4 shares of Southern Energy, locking in the stub value.

Company	Southern Company	American Electric Pwr	Energy Corp	Cinergy Corp	Average Comp	Southern Energy	Dynegy Inc	Duke Energy	NRG Energy	Average Comp
Ticker	SO	AEP	ETR	CIN	Average	SOE	DYN	DUK	NRG	Average
Current Implied Price	\$ 17.77	\$ 36.94	\$ 34.81	\$ 30.31		\$ 29.13	\$ 53.13	\$ 80.88	\$ 33.88	
Shares Out. (000,000)	648.7	322.0	228.1	158.9		330.0	313.1	367.0	147.6	
Market Cap (000,000)	\$ 11,528.7	\$ 11,893.9	\$ 7,940.7	\$ 4,817.3		\$ 9,611.3	\$ 16,634.5	\$ 29,681.1	\$ 5,000.0	
Enterprise Value (000,000)	\$ 24,068.8	\$ 27,434.9	\$ 16,923.0	\$ 8,736.3		\$ 17,291.3	\$ 20,651.9	\$ 44,441.1	\$ 8,624.3	
EPS										
2000 Earnings Estimate (Diluted)	\$ 1.55	\$ 2.49	\$ 2.63	\$ 2.52		\$ 1.23	\$ 1.30	\$ 4.07	\$ 0.95	
Forward P/E	11.47	14.83	13.24	12.03	13.37	23.68	40.87	19.87	35.66	30.02
Enterprise										
Enterprise Value / EBITDA	6.44	11.24	7.95	7.76	9.60	21.40	29.95	12.87	21.50	21.43
Enterprise Value / EBIT	9.88	19.48	12.14	11.44	15.81	34.65	45.48	20.30	26.60	31.76
12 month Trailing										
EBITDA Per Share	5.76	7.58	9.33	7.09		2.45	2.20	9.41	2.72	
EBITDA Multiple	3.09	4.87	3.73	4.28	4.30	11.90	24.13	8.60	12.46	14.27
EBITDA Margin	37.84%	28.73%	24.28%	17.03%		35.96%	3.40%	11.12%	32.56%	
12 month Trailing										
Trailing Sales	\$ 9,873.6	\$ 8,493.0	\$ 8,766.0	\$ 6,612.8		\$ 2,247.0	\$ 20,293.1	\$ 31,053.0	\$ 1,232.0	
Price to Sales	1.17	1.40	0.91	0.73	1.01	4.28	0.82	0.96	4.06	2.53
Operating Margin	24.68%	16.58%	15.91%	11.55%		22.21%	2.24%	7.05%	26.31%	
Book Value	\$ 8.85	\$ 25.63	\$ 30.39	\$ 17.27		\$ 12.05	\$ 8.23	\$ 25.46	\$ 9.21	
Price to Book	2.01	1.44	1.15	1.76	1.45	2.42	6.45	3.18	3.68	3.93
Turnover's										
Current Asset Turnover	4.13	0.92	2.26	3.35		1.29	3.51	2.43	2.10	
Working Capital Turnover	(7.03)	(2.46)	8.16	(9.86)		(1.05)	46.84	(12.70)	66.24	
Returns										
Return on Average Equity		5.70%	9.68%	16.38%			13.81%	10.69%		
Pre-Tax Average ROA		4.62%	5.88%	7.16%			2.89%	5.92%		
Return on Average Assets		1.23%	2.89%	4.35%			2.36%	2.63%		
Return on Capital		3.38%	6.37%	8.69%			5.92%	6.24%		
Current Ratio	0.63	0.73	1.38	0.75		0.45	1.08	0.84	1.03	
Quick Ratio	(0.05)	0.02	0.65	0.04		0.26	0.01	0.03	0.59	
Cash Ratio	(0.05)	0.02	0.65	0.04		0.26	0.01	0.03	0.12	
Cash per share	(0.31)	0.97	7.96	0.64		3.00	0.25	1.13	0.48	
Degree of Financing Leverage (EBIT/EBT)	1.18	2.41	1.22	1.15	1.59	1.51	1.20	1.27	3.67	1.91
Financing Leverage (Assets/Equity)	4.39	4.89	3.51	3.89	4.10	3.60	6.10	4.75	4.04	4.62
Debt to Capital	68.60%	65.31%	56.44%	58.81%		65.88%	60.92%	61.23%	72.71%	
Debt to Book Equity	218.50%	188.28%	129.57%	142.79%		193.11%	155.86%	157.95%	266.49%	
Debt to Enterprise Value	52.10%	56.65%	53.08%	44.86%		44.42%	19.45%	33.21%	42.02%	
Liabilities to Equity	353.18%	389.45%	250.89%	288.81%		259.77%	610.04%	375.49%	303.60%	
Interest Coverage										
Interest Coverage (Earnings)	3.40	1.87	3.09	4.06	3.01	2.50	2.94	2.96	1.67	2.52
EBIT/Interest Expense	2.66	2.07	2.55	3.51	2.71	1.83	2.50	2.80	1.60	2.18

NOTES:

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Fresh Spin-Off Situations

St. Joe Company to Distribute Florida East Coast

The St. Joe Company (NYSE: JOE) is going to distribute its 54% interest in Florida East Coast Industries (NYSE: FLA) to St. Joe shareholders on a pro rata basis. Before the distribution, St. Joe is going to recapitalize FLA by exchanging all of its FLA shares for an equal number of shares of a new class of FLA common stock. The holders of the new class of FLA common stock will be entitled to elect 80% of the members of FLA's board. St. Joe has received an IRS ruling that the distribution would be tax-free. Based on the current shares outstanding, shareholders of JOE are going to receive 0.23 shares of FLA for every share of JOE held.

The St. Joe Company is a diversified company that conducts primarily all its business in six reportable operating segments, which are residential real estate services, community residential development, commercial real estate development and services, transportation, forestry, and land sales. In late 1999, the company started a hospitality development group that will offer fee-based development services for hospitality real estate projects including hotels, resorts, and timeshare facilities and announced plans to sell 800,000 of timberland. Before the sale of the timberlands, St. Joe's vast land holdings in Florida (1.1 million acres) made the company the largest landholder in the state. The company is beginning to focus on real estate development. During 2000, real estate accounted for 73% of sales. Transportation and forestry were 23% and 4% of 2000 sales, respectively. Being highly diversified, St. Joe does not have any single pure competitor. Some competitors of the company include Lennar Corp, Del Webb, and Weyerhaeuser. Through the first six months of 2000, St. Joe generated revenues of \$433 million, an increase of 23% (\$81 million) over the same period in 1999. Yet net income of \$38 million and EPS of \$0.43 decreased by 60% and 59%, respectively, when compared to 1999. Net income and EPS fell because of some one-time events in 1999. St. Joe discontinued its operations in the sugar industry and recorded a deferred income tax benefit related to the excise tax

on its pension surplus. Additionally, St. Joe's cash flow from operations went from negative \$3.9 million for the first six months of 1999 to a positive \$7.8 million for the first six months of 2000.

Florida East Coast Industries operates a railway (Florida East Coast Railway or FECR), realty (Gran Central Corp or GCC), telecommunications (EPIK) and trucking (International Transit, Inc. or ITI) companies. FECR is a regional freight railroad between Jacksonville and Miami. GCC develops, manages and sells commercial and industrial property. Orlando-based EPIK offers wholesale telecommunications private line services (bandwidth) and dark fiber. ITI provides truckload transportation throughout the Midwestern and Southeastern US. While no single company competes against FLA in all of its segments, the company competes against companies such as Norfolk Southern, CSX, Patriot Transportation, and McLeodUSA. The railway, realty, telecommunications, and trucking segments accounted for 63%, 22%, 3%, and 12% of revenues over the first six months of 2000, respectively. The company's revenues fell from \$175 million over the first six months in 1999 to \$133 million over the same period in 2000. The decline in revenue was the result of the company's selling two business parks in the first half of 1999 and only selling a single parcel of undeveloped land in the first half of 2000. Net income and EPS fell by \$2.4 million and \$0.07 to \$17.9 million and \$0.49, respectively, during the first half of 2000.

Valuation

Based on current prices, there is \$9.32 of FLA embedded in each share of JOE. The bulk of FLA's value appears to stem from its telecommunications segment. FLA could even be a possible acquisition candidate for another telecom to establish a presence in Florida. Some of St. Joe's value also appears to benefit from FLA's telecom segment. After the spin-off, St. Joe may see its shares fall to trade in a range closer to its peers.

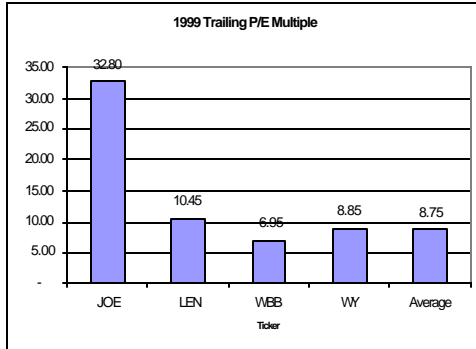
Comparables

Company	Sara Lee	Russell Corp	Tyson Foods	ConAgra	Procter & Gamble	Average Comp	Coach	Lands End	Samsonite	Wilstons	Polo Ralph Lauren	Average Comp
Ticker	SLE	RML	TSN	CAG	PG		COH	LE	SAMC	WLSN	RL	
Current Implied Price	\$ 19.12	\$ 15.13	\$ 10.50	\$ 20.25	\$ 73.00		\$ 20.31	\$ 20.34	\$ 3.53	\$ 17.00	\$ 19.00	
Shares Out. (000,000)	869.6	32.6	122.5	532.8	1,307.9		42.4	30.3	19.7	16.7	30.9	
Market Cap (000,000)	\$ 16,625.5	\$ 492.7	\$ 1,286.0	\$ 10,789.9	\$ 95,476.7		\$ 861.4	\$ 616.2	\$ 69.7	\$ 284.1	\$ 587.5	
Enterprise Value (000,000)	\$ 20,728.4	\$ 981.9	\$ 2,894.4	\$ 15,836.9	\$ 108,936.7		\$ 956.5	\$ 634.6	\$ 505.6	\$ 314.7	\$ 998.3	
EPS												
TTM Estimated / Pro Forma (diluted)	\$ 1.31	\$ 1.79	\$ 1.00	\$ 1.69	\$ 2.95		\$ 0.83	\$ 1.15	\$ (2.31)	\$ 1.89	\$ 1.46	
TTM P/E	14.63	8.45	10.50	11.98	24.75	13.92	24.47	17.63		8.99	13.01	13.31
2000E (Diluted)	\$ 1.38	\$ 1.98	\$ 0.69	\$ 1.88	\$ 3.18		\$ 0.90	\$ 1.43	\$ 1.50	\$ 2.30	\$ 1.61	
Forward P/E	13.88	7.65	15.28	10.79	22.93	14.16	22.57	14.19	2.35	7.38	11.84	7.98
Enterprise												
Enterprise Value / EBITDA	8.90	6.87	3.88	8.24	13.02	8.00	13.07	7.00	5.76	4.61	3.03	5.79
Enterprise Value / EBIT	11.84	11.37	6.34	11.25	18.51	11.87	17.15	9.15	8.43	5.13	3.93	7.57
12 month Trailing												
EBITDA Per Share	2.68	4.39	6.10	3.61	6.40		1.73	2.99	4.45	4.08	10.65	
EBITDA Multiple	7.14	3.45	1.72	5.61	11.41	5.55	11.77	6.79	0.79	4.16	1.78	3.92
EBITDA Margin	11.76%	12.08%	10.38%	7.69%	21.05%		13.33%	7.00%	11.20%	12.35%	16.45%	
12 month Trailing												
Unlevered FCF per Share	1.67	2.25	0.58	0.78	2.05		1.00	1.71	(1.14)	2.05	2.05	
FCF Multiple	11.46	6.74	18.17	25.91	35.54	16.94	20.34	11.87	(3.09)	8.28	9.25	4.39
12 month Trailing												
Trailing Sales	\$ 19,814.1	\$ 1,183.1	\$ 7,192.2	\$ 25,007.5	\$ 39,740.0		\$ 548.9	\$ 1,296.3	\$ 784.2	\$ 552.6	\$ 2,002.5	
Price to Sales	0.84	0.42	0.18	0.43	2.40	0.86	1.57	0.48	0.09	0.51	0.29	0.36
Gross Margin	38.26%	26.46%	16.83%	16.37%	45.14%		59.91%	45.36%	42.15%	45.14%	45.14%	
Operating Margin	8.84%	7.30%	6.35%	5.63%	14.81%		10.16%	5.35%	7.65%	11.10%	12.70%	
Book Value	1.61	16.39	17.71	5.80	8.51		1.37	9.98	(14.96)	7.83	25.33	
Price to Book	11.89	0.92	0.59	3.49	8.58	3.40	14.84	2.04	(0.24)	2.17	0.75	1.32
Turnover's												
Account Rec. Turnover	10.62	5.87	13.25	12.67	13.32		35.26	75.81	10.25	98.67	11.64	
Current Asset Turnover	3.76	1.73	4.51	3.83	3.54		4.11	4.60	2.72	3.25	2.36	
Working Capital Turnover	(20.85)	2.25	8.90	53.37	63.38		10.14	8.73	4.98	5.10	4.20	
Returns												
Return on Average Equity		4.47%	8.12%	9.36%	31.68%			15.13%	0.06%	29.58%	19.01%	
Pre-Tax Average ROA		7.15%	9.15%	10.57%	16.70%			16.05%	10.43%	27.09%	15.80%	
Return on Average Assets		2.01%	3.50%	2.19%	10.10%			9.68%	-0.03%	15.09%	9.98%	
Return on Capital		3.89%	6.66%	5.44%	15.70%			13.32%	2.74%	22.59%	12.80%	
Current Ratio	0.85	4.33	2.03	1.08	1.06		1.68	2.11	2.20	2.76	2.29	
Quick Ratio	0.35	1.34	0.72	0.33	0.49		0.20	0.47	0.69	1.26	0.84	
Cash Ratio	0.05	0.06	0.03	0.00	0.20		0.00	0.34	0.11	1.16	0.38	
Cash per share	0.34	0.31	0.19	0.03	1.65		0.00	1.49	0.73	4.28	4.52	
Degree of Financing Leverage (EBIT/EBT)	1.10	1.85	1.69	2.48	1.08	1.78	1.10	1.04	4.25	1.06	1.32	2.12
Financing Leverage (Assets/Equity)	8.01	2.30	2.26	4.24	3.17	2.99	4.01	1.47	(1.86)	1.73	2.05	0.45
Debt to Capital	74.59%	47.82%	42.58%	62.01%	54.73%		62.11%	5.74%	309.81%	18.95%	34.41%	
Debt to Book Equity	293.47%	91.64%	74.14%	163.21%	120.91%		163.90%	6.09%	-147.66%	23.38%	52.45%	
Debt to Enterprise Value	19.79%	49.82%	55.57%	31.87%	12.36%		9.95%	2.90%	86.22%	9.72%	41.15%	
Liabilities to Equity	655.57%	130.39%	125.77%	307.14%	205.90%		301.18%	47.14%	-209.49%	73.03%	105.45%	
Interest Coverage												
Interest Coverage (Earnings)	7.91	2.55	3.28	2.92	9.19	4.49	8.13	47.74	1.25	12.29	13.66	20.43
EBIT/Interest Expense	7.55	2.88	3.88	4.77	8.86	5.10	7.87	48.82	1.18	12.30	13.35	20.77

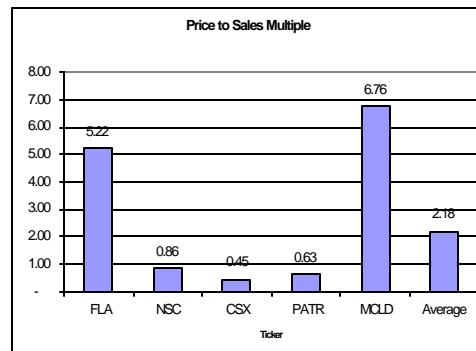
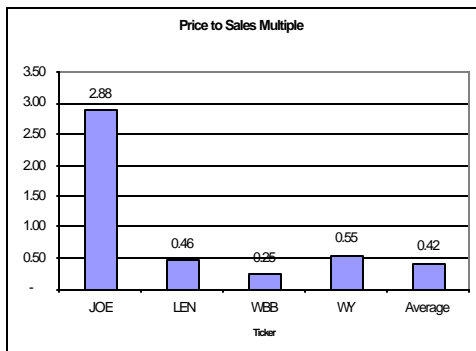
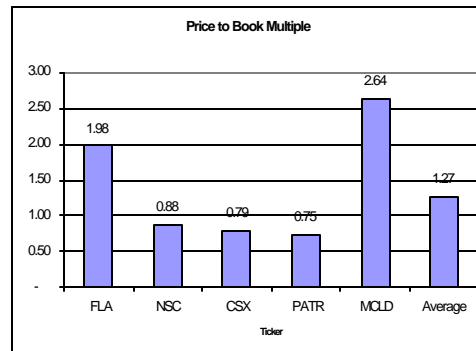
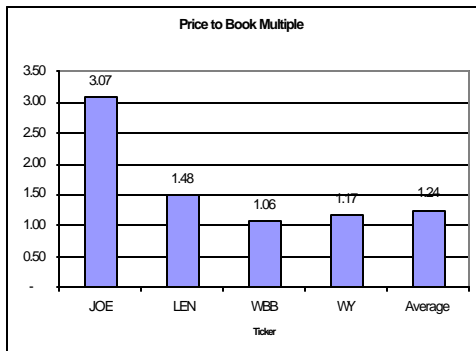
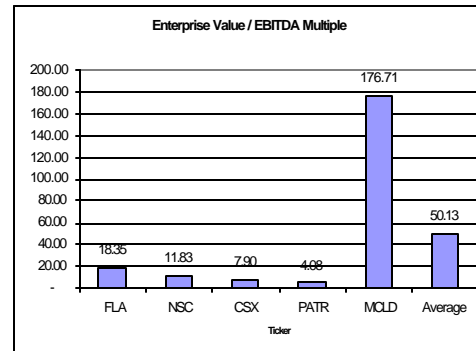
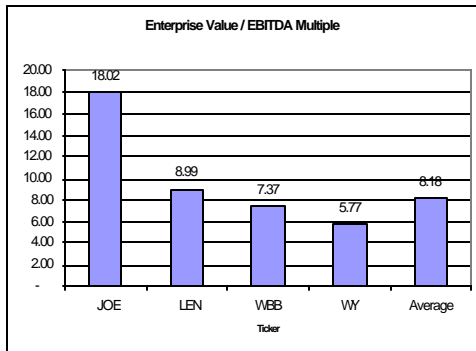
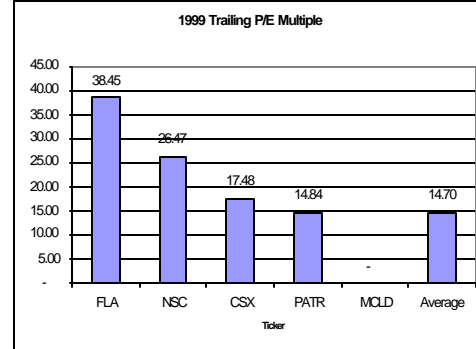
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Parent and Comparables



Spin-off and Comparables



Recently Announced Spin-Off Situations

CMS Energy Plans to Carve-Out Oil & Gas

On October 3, CMS Energy Corp. said it expects to raise \$800 million in the first half of next year by selling up to 50 percent of its oil and natural gas exploration and production unit in an initial public offering and by speeding up a planned sale of CMS common stock. These funds will be used to reduce debt and will supplement the \$1.4 billion CMS expects to raise with asset sales this year. CMS stock closed Monday at \$28-3/16, up 4.64 percent or \$1-1/4, on composite trading of 1.4 million shares.

CMS, through subsidiaries, supplies electricity and natural gas in Michigan, explores and produces oil and natural gas, invests in, develops, constructs, operates and acquires non-utility power generation projects. The company also owns and manages natural gas transmission, processing and storage projects. The energy holding company's utility subsidiary, Consumers Energy, has a generating capacity of about 7,400 MW (mostly from coal-fired sources) and distributes electricity to 1.7 million customers and gas to 1.6 million in Michigan's lower peninsula. Though Consumers accounts for more than 60% of sales, CMS Energy is pushing past the peninsula. It has 10,400 miles of gas pipeline extending from Texas to Michigan and interests in independent power plants worldwide (9,000 MW). CMS Energy has energy investments in Africa, Asia, Latin America, and the Middle East. The firm is also involved in energy marketing as well as oil and gas exploration and production.

CMS hopes to raise \$500 million from an initial public offering of up to 50% of CMS Oil and Gas, its oil and gas exploration and production subsidiary, in the first quarter of 2001. CMS additionally announced a plan to accelerate the issuance of \$300 million of CMS common stock, which has been planned for mid-year 2001. The two moves, combined, are expected to provide CMS with \$800 million of cash, including \$450 million of equity, to spiff up the balance sheet. The cash will be used to reduce debt and supplement \$1.4 billion asset sale program now underway, of which \$900 million is completed. It is expected that both deals will be concluded in the first quarter of 2001.

Recent Results

In early August, CMS Energy reported Q200 earnings of \$0.72 versus \$0.67. Ex-gains totaling \$0.13 from asset sale, EPS came in at \$0.59 versus \$0.67. A \$31 million increase in non-reg EBIT was not enough to offset a \$57 million drop in regulated EBIT from an electric rate cut and lack of a gas adjustment clause. Nonregulated operations contributed a rise of \$31 million, to \$124 from \$93 million, for a increase of 33%. Most of the improvement stemmed from the IPP segment, contributing \$68 million of EBIT up 74% from \$39 million in Q299. This strong performance was offset by poor results from the regulated businesses.

CMS Energy Corp (NYSE: CMS)

Price (10/2/00)	\$28 3/16	Dividend/Yield	\$1.46/5.1%
52 Week Range	\$38 – 16	Est. Book/Share	\$29.75
Shares Outstanding	110 M	Est. Debt/TC	65%
Market Value	\$3.1 B	1999 Revenue	\$5.58 B
Fiscal Year	December	EPS FC Cons. 2000E	\$2.50 P/E= 11.3x

Recently Announced Spin-Off Situations

Conexant to Separate Network Access Division in Two-Step Spin-Off

On September 13th, after the close, Conexant (Nasdaq: CNXT) announced that it is planning to separate into two independent semiconductor companies. The first company will be comprised of current Network Access Division (NAD) and focus on providing solutions for manufacturers of Internet infrastructure equipment. The second company will focus on personal networking applications, mobile communications and broadband digital home solutions. Conexant closed at \$37 1/16 prior to the announcement. Conexant intends to spin off the Internet infrastructure business as an independent public company through a two-step process. **The first step will consist of an initial public offering of stock in the new company targeted for January 2001.** This will be followed within six months by a tax-free distribution of the remaining shares to Conexant shareowners. Completion of the spin-off is conditional upon receiving an IRS ruling that it will qualify as a tax-free distribution. We believe that the spin off of NAD will generate considerable investor interest in Conexant, despite the dismal recent stock performance (CNXT has declined 70% since it reached an all-time high of \$132 on February 16, 2000). Conexant's overall revenue and earnings performance has been restrained by weakness in its wireless division, effectively masking the strong growth of the NAD division.

With revenue run-rate of approximately \$2 billion per year, based on the most recently completed quarter, Conexant is the world's largest independent company focused exclusively on providing semiconductor solutions for communications electronics. Conexant Systems was spun off from Rockwell International in 1998. The company's chips are found in 70% of all fax machines. Conexant's business units make ICs and subsystems for personal computing (PC modems), personal imaging (fax machines, video systems),

wireless communications (cordless phones), digital infotainment (cable modems, set-top boxes), and network access (networking devices). About half of Conexant's sales are to the Asia/Pacific region.

The New Internet Infrastructure Company

The rapidly growing Internet Infrastructure business will consist of three main businesses: WAN transport, Multi Service Access, and Broadband access. This entity grew at over 100% last fiscal year. **Internet infrastructure product sales are expected to exceed \$550 million in Conexant's current fiscal year,** ending Sept. 29, 2000, accounting for approximately 30 percent of total company revenues. Internet Infrastructure is highly profitable and generates about 65% gross margin (versus Conexant's overall gross margin of 47%). In the June quarter NAD grew at 88% on a year-over-year basis (revenues were \$155 million). Conexant has completed nine acquisitions since being spun from Rockwell nearly two years ago. Six of those acquisitions were combined with NAD, including HotRail, Maker Communications, Microcosm, Applied Telecom, Net-Plane Systems, and Novanet Semiconductor. These acquisitions help position NAD in optical networking, asynchronous transfer mode (ATM), and gigabit Ethernet.

The Internet infrastructure business offers a complete portfolio of semiconductor and software solutions ranging from physical-layer access devices at the edge of the Internet up through switch fabric and network processor products for the high-speed optical core. Products for the Internet infrastructure are grouped into three high-growth areas: wide area network (WAN) transport, multi-service access, and broadband access. Solutions for WAN transport focus on packet-based optical networks by providing a complete range of physical-layer transceivers, ATM products and

network processors. The multi-service access business includes a comprehensive family of multi-service carrier IP gateway products with industry-leading voice over IP solutions. The broadband access portfolio offers one of the industry's broadest lines of symmetrical and asymmetrical DSL solutions. Internet infrastructure customers include tier-one manufacturers of Internet infrastructure equipment such as Cisco Systems, Lucent Technologies, Nortel Networks and Alcatel; as well as emerging leaders such as Juniper Networks, Redback Networks and Sycamore Networks. Internet Infrastructure, which currently utilizes foundry agreements for about 70% of its products, will become a fabless company. An agreement between the two new companies will allow Personal Networking, which will operate Conexant's current manufacturing capacity, to produce some of Internet Infrastructure's Silicon Germanium and Gallium Arsenide products.

Personal Networking Company

The personal networking entity will consist of wireless, digital infotainment, personal imaging, and personal computing. **Personal networking product sales are expected to exceed \$1.5 billion in Conexant's current fiscal year and account for approximately 70 percent of total company revenues.** On a year-over-year basis, these product lines grew at 26% in the June quarter, and they collectively have a gross margin of about 40%. The personal networking company will focus on delivering integrated semiconductor and software solutions for mobile communications and the broadband digital home. The personal networking company's product portfolio will address high-growth markets including broadband cable and DSL modems, home networking

and digital cable and satellite set-top box solutions. Products for home and small-office applications include digital imaging and video devices and data and facsimile modems. Mobile communications solutions comprise one of the industry's broadest wireless product offerings for CDMA, GSM and TDMA digital cellular handsets, and include power amplifiers, radio frequency subsystems and complete systems.

Personal networking customers include the leading manufacturers of mobile and broadband access communications devices, personal computers, and Internet gaming consoles, such as Ericsson, Nokia, Samsung, Hughes, Echostar Communications, Compaq Computer, Dell Computer, Hewlett-Packard, Canon, Sharp, Nintendo, Sega and Sony.

Separation Likely to Boost Overall Value

The spinoff will highlight the fast growing Network Access Division and force the market to value those assets against its peers. NAD, which grew at 15% sequentially last quarter, has been hidden by the slower growth of the businesses within the larger entity. Internet Infrastructure companies such as PMC-Sierra (PMCS), Applied Micro Circuits (AMCC) and Vitesse Semiconductor (VTSS) have an average price to trailing sales ratio of about 60x. If NAD trades at just 30x an estimated \$550 million in FY00 revenue, this business would be valued at \$16.5 billion (or \$66 per Conexant share), substantially exceeding the current value of Conexant of \$9.6 billion. Assigning a modest value of 1x sales the Personal Networking business would yield approximately \$6 per share (\$1.5 billion / 248 M shares). **Based on this back of the envelope analysis we could justify a \$72 price target for the entire company.**

Conexant Systems (CNXT-NASDAQ)

Price (10/2/00)	\$39 1/8	Dividend/Yield	Nil/Nil
52 Week Range	\$133 – 27	EPS 1999A	\$0.20
Shares Outstanding	248 M	Revenue 1999A	\$1.44 B
Market Cap	9.7 B	ROE	20%
Fiscal Year	Sept	Book Value (Jun00)	\$11.33

Recently Announced Spin-Off Situations

Equifax to Spinoff Payment Services Division

On October 2, 2000, Equifax (NYSE: EFX), announced that its Board of Directors has approved a plan to separate the Company into two independent public companies: Information Services, a leading provider of consumer and commercial information and a leading provider of direct marketing services worldwide; and Payment Services, a provider of credit card processing and check risk management services around the world. The Company intends to accomplish the separation through a Spinoff of Payment Services to its shareholders. The spinoff is expected to take the form of a tax-free stock dividend. **The Company expects to complete the spinoff by the summer of 2001**, and expects to record a one-time charge in connection with the spinoff. The shares traded down a ¼ to \$26 11/16⁰⁰ on the news. At this price Equifax has a market value of \$3.8 billion. It is expected that \$200 to \$300 million in debt will be “pushed down” to the spin-off.

Equifax is the US's largest credit reporting agency (ahead of Experian and the Marmon Group's Trans Union), the company has information on some 400 million credit holders worldwide. In addition to credit reports, Equifax authorizes checks, provides credit card processing services, and offers database marketing advice and credit risk consulting and software products through a host of subsidiaries. Equifax customers include banks and retail stores in the US, as well as in Canada, Latin America, and the UK. Equifax employs about 15,000 associates in 16 countries with sales in almost 50 and has \$1.9 billion in revenue. Equifax indicated that its earnings for 2000 are on track and it expects to achieve EPS in the range of \$1.67 to \$1.71, consistent with current analyst estimates. For 2001, Equifax expects total revenue from both businesses in the aggregate to increase by 10 to 12 percent (normalized for the acquisition of Polk). For Information Services, the increase in revenue is expected to be in the range of 8 to 10 percent and, for Payment Services, revenue is expected to grow approximately 13 to 15 percent in 2001. The company competes with Trans Union Corp. in credit information and First Data Corp. in the credit card processing business.

Information Services

Equifax Information Services, is the leading provider of consumer and commercial information worldwide, including the world's largest repository of consumer credit information and a substantial consumer lifestyle and demographic database. **Information Services had revenues and EBITDA (before general corporate expenses) of \$1,121.9 million and \$416.5 million**, respectively, for the twelve months ending June 30, 2000. Information Services is comprised of three units: Credit Services, Consumer Information Services (CIS) and Equifax Internet Solutions. Information Services provides value-added information that facilitates transactions with consumers and businesses around the world. This business has struggled in the past year based on a number of factors including the loss of a customer and facilities closures in risk management, the impact of higher rates on the mortgage business, and price pressure from its largest volume customers.

Information Services has expanded into new vertical markets including securities brokerage and insurance. Equifax has recently signed on 17 of the top 50 securities brokers as credit information clients. This should begin to generate revenues in the fourth quarter. Last week, the company began to provide FICO scores to insurance companies. Equifax has introduced several new products including consumer direct solutions. The company plans to soon unveil an identity fraud deterrent system using e-mail alerts to signal unusual credit report activity to subscribers.

Credit Services, operating in North America, Latin America and Europe, provides information-based, value-added products and services to assess risk, market credit offers, and detect fraud. These products and services are offered to customers representing a wide array of industries, including: financial services, retail, automotive,

telecommunications and utility clients. Information Services provides credit reporting, customer relationship management, modeling and analytics on over 400 million consumers and businesses to customers in major markets throughout the world.

Consumer Information Services provides value-added consumer direct marketing services to Equifax's traditional customers as well as to catalog, publishing, high tech, travel and manufacturing clients. The CIS products include direct marketing data and support, and analytical services using demographic, lifestyle and specialty data. CIS also provides data capture, database management, and registration card programs for consumer durable goods manufacturers, and conducts its own proprietary Survey of America (TM). By combining increasingly sophisticated, non-regulated consumer data with analytic optimization software, CIS provides commercial customers with highly targeted, customized solutions that not only identify qualified buyers but also likely buyers, significantly reducing customer acquisition costs and increasing the profitability of CIS' customers.

Equifax Internet Solutions provides e-commerce solutions that enable enterprises to authenticate identity, secure business applications and both issue and manage digital certificates. Furthermore, through its online consumer direct initiatives, it offers consumers the opportunity to view their credit profiles online and to subscribe to credit monitoring services. Customers of Equifax Secure, the remote authentication and digital certificate offering, now include Paymentex, Microsoft, Checkfree and Verisign.

Payment Services

Payment Services, a provider of payment solutions in the U.S. and abroad, had **revenues and EBITDA**

(before general corporate expenses) of \$736.0 million and \$181.7 million, respectively, for the twelve months ending June 30, 2000. Payment Services, which manages approximately 30 million card accounts worldwide and processes over 2 billion payment transactions annually, includes two units: Card Solutions (66% of revenue) and Check Solutions (34% of revenue). Card Solutions is the number one provider of comprehensive cardholder processing solutions to community banks and credit unions. Services include credit and debit card transaction processing, card processing software, portfolio management and analysis, cardholder customer service, card enhancements, credit marketing, risk management, merchant processing, and collections to independent banks and credit unions in the U.S. and major card issuers abroad.

Check Solutions is the leading provider of check risk management services, which include check guarantee and authorization, and related services such as data file exchanges, risk management consulting, check collections, and database marketing in the U.S., the U.K., Canada, France, Ireland, Australia, and New Zealand. Customers include Sears, Best Buy and Target.

International operations represent about 23% of division revenue. The Company indicated that Payment Services is now processing 73 percent more cards abroad than a year ago due to its growth in Brazil and the U.K. The Company's strong presence in Brazil and Chile is a beachhead for further expansion into other Latin American countries. In Asia-Pacific Payment Services recently won a five-year card-processing contract with National Australia Bank to process 4.5 million cards in four countries. It expects the relationship to generate over \$100 million in revenue over the next five years.

Equifax (EFX-NYSE)			
Price (10/4/00)	\$30	Book/Share (6/00)	\$2.21
52 Week Range	\$36 – 20	Price/Book	13.5x
Shares Outstanding	136 M	EPS F1999A	\$1.55 P/E = 19.3x
Market Value	\$4.0 B	Revenue F1999 A	\$1.77 B
Dividend/Yield	\$0.37/1.23%	Cons. EPS Est. 2000	\$1.71 P/E = 17.5x
Operating Margin (6/00)	10.6%	Net Debt	\$992 M

Recently Announced Spin-Off Situations

Millipore to Separate Microelectronics in Two-Step Spin

On October 3, Millipore Corporation (NYSE: MIL) announced plans to separate into two companies by making its Microelectronics business an independent, publicly traded company. The new company, called at this time, Millipore Microelectronics, will focus on serving the fast-growing microelectronics market. Millipore will focus on serving the biosciences market from research through manufacturing (a market that includes Genomics, proteomics, drug discovery, biotechnology and pharmaceuticals). Millipore is planning an initial public offering for up to 20 percent of the new Microelectronics company and intends to spin off the remaining shares of the new company to Millipore shareholders through a dividend distribution. **The IPO is expected to take place during the second calendar quarter of 2001 and the spin-off is expected to be completed during the third quarter of 2001.** C. William Zadel, Chairman, President and CEO of Millipore will be the CEO of the new Microelectronics company. Francis Lunger, currently Chief Operating Officer of Millipore will become the CEO of Millipore. Millipore is a global supplier of filtration and purification systems and technologies used in filter chemicals, water, and gas in microelectronics and biopharmaceutical processes for research. The stock jumped 5 13/16 (12%) to \$54 11/16 on the news. The company will be reporting third quarter results on October 16th.

Since 1954, Millipore has been a leader in the field of separation technology. Millipore makes products that use separation technology to analyze, identify, and purify fluids. Its products include disc and cartridge filters and housings, filter-based test kits, precision pumps, and ancillary equipment and supplies. The company sells its products to the pharmaceutical and biotechnology industries for applications that include

sterilizing (including virus reduction and sterility testing of products such as antibiotics and protein solutions), cell harvesting, and isolating compounds from complex mixtures. Millipore's microelectronics segment makes purification and filtration products for semiconductor equipment manufacturers. In 1999, about 73% of Millipore's sales were from the Biopharmaceutical & Research business segment, while the Microelectronics segment accounted for 27% of total revenue. Approximately 58% of Millipore's annual revenue were generated outside the United States. Based in Bedford, Massachusetts, Millipore sells more than 10,000 products and employs about 4,300 people. Millipore reported Q200 earnings of \$0.62, versus \$0.32 a year ago. Revenues in the quarter were \$239 million, up 28% from Q299. Microelectronic sales grew 76% and Biopharmaceutical and Research sales increased 10%.

Microelectronics

Millipore's Microelectronics business is currently 35 percent of Millipore's total revenues. Microelectronics business serves the semiconductor industry with technology needed to manufacture semiconductor devices. Essentially this technology controls the flow, purity, delivery and quality of the hundreds of process chemicals and gases used in device manufacturing. Millipore Microelectronics addresses applications and opportunities within the semiconductor industry, including chemical mechanical planarization (CMP), spin-on dielectrics, new copper processes, DUV lithography and the migration to 300mm devices. Millipore products are used directly on the different process streams within a fabrication plant, and they are also integrated into various OEM equipment systems. Millipore recently introduced a major new product for the control of gas

flow in fabrication plants, the IntelliFlow(TM) Digital mass flow controller. Mass flow controllers are used at numerous points within a fabrication plant. Millipore has also recently expanded its line of QuickChange(R) filters used for chemical purification that are packaged and configured to reduce "change-out times" dramatically in a fab. Millipore's patented two-stage filtration and dispense technology is now standard on the majority of photolithography tracks.

Biosciences

Millipore's Biopharmaceutical & Research segment, comprising 65 percent of Millipore's total revenues, serves the biosciences market, defined as research and manufacturing within the areas of Genomics, proteomics, drug discovery, biotechnology and pharmaceuticals. Several thousand devices, products and systems serve the 250,000 laboratories around the world, as well as the 1,500 biotechnology, pharmaceutical and contract manufacturing companies. Millipore technology is used for a range of applications, from protein sample preparation to vaccine sterilization to monoclonal antibody production. Recent new products include new

versions of MultiScreen(R) membrane-based multi-well plates for molecular biology applications, and Opticap(TM) cartridges for biotechnology drug manufacturing. Millipore lab water systems are essential to research and analytical laboratory work, and are the product of choice in laboratories worldwide. Millipore also offers custom-engineered purification systems that are built and configured to fit within a manufacturing process for pharmaceuticals and biopharmaceuticals. In addition, Millipore provides consulting and customer support services for high-value applications. Millipore technology is particularly critical for new life science research applications in Genomics, proteomics and drug discovery, and for the sterilization and purification of new biotech therapeutics.

Millipore Corp. (NYSE: MIL)

Price (10/4/00)	\$54.75	Est. Book Value	\$6.90
52 Week Range	\$76 – 30	ROE	45%
Shares Outstanding	46 M	Debt/Cap	50%
Market Value	\$2.5 B	EPS F1999A	\$1.35 P/E = 40.5x
Dividend/Yield	\$0.44/0.8%	Revenue F1999	\$770 M

Recently Announced Spin-Off Situations

MRV Communications Plans to IPO 8% of Luminent Division at \$13 to \$15

On September 13, MRV Communications (MRVC) filed an amended registration statement for an IPO of its Luminent division. Luminent plans to offer 12 million shares at \$13 to \$15 each. According to the filing, Luminent (LMNE-proposed) will have 156 million shares outstanding after the IPO. **The fiber optic component manufacturer would have a market value of \$2.34 billion if priced at \$15 per share.** Parent, MRV Communications, currently has a market value of about \$3.0 billion (64.3 million shares at \$47). Luminent originally filed for the IPO on July 26th. The company expects to raise \$155 million (after expenses) if the deal prices at the midpoint of \$14. The public will initially hold 8% of Luminent's stock with MRV retaining the balance (92%). Credit Suisse First Boston is the lead underwriter. MRV plans to distribute the Luminent shares to MRV stockholders within 6 to 12 months of the IPO. Based on a \$15 IPO level, Luminent will be priced at 36 times the \$65 million in revenues it generated in 1999. Luminent products include lasers and light-switching devices, as well as modules for dense wavelength division multiplexing. The company competes with Alcatel, JDS Uniphase and Lucent.

MRV Communications makes hardware that moves data around corporate, telecommunications, and cable networks using Ethernet technologies (almost 80% of sales) and fiber-optic components. MRV's OptiSwitch (sold under the NBase and Xyplex brands) and FiberDriver families of complete and stackable switches allow users to move to faster systems. The company has combined several acquisitions into its Luminent subsidiary, which MRV plans to spin off. **Luminent** makes laser modules and

transmitters, light emitting diodes, and other optical transmission components. Luminent's produces single-mode fiber-optic hardware used to assemble voice and data networks. Its active components, which generate, amplify, and modify signals traveling on optical fiber, include transmitters, multiplexers, light-emitting diodes, and lasers. Its passive components -- including couplers, connectors, and adapters -- route signals through optical networks. Customers include Marconi Communications, which accounts for 40% of sales, and Cisco Systems. **In addition, MRV management has stated that it plans to file an S-1 by the end of October for its Optical Access business (Wireless Optics).**

Luminent: Optical Components and Subsystems
Luminent's business was assembled from MRV's own optical-components business and several recent acquisitions. Counting the new acquisitions, Luminent's sales rose to \$57 million in the first half of 2000, from \$28 million in the prior year period. Pro forma for acquisitions, Luminent had a net loss of \$50.7 million, or 35 cents a share, in the first half of 2000. Gross margins were 27.3% in the first half (pro forma) and are expected to decline further.

Based on MRV's 92% stake in Luminent post spin (ratio 2.42), they will have about \$34 of Luminent value embedded in each MRV share. This suggests that the MRV stub is currently trading at an imputed price of \$13. If Luminent is able to IPO their shares at \$14, the carveout will represent nearly 72% of MRV's value at current prices (MRV currently trades at \$47). At the IPO price, Luminent would be trading at about 20 times its annualized sales for the first half of this year (pro forma).

MRV Communications (NASDAQ: MRVC)

Price (10/3/00)	\$47	Dividend/Yield	Nil/Nil
Shares Outstanding	64.3 M	1999 Revenues	\$288.5 M
Market Value	\$3.0 B	Price/Sales	10.5x
Debt to Total Cap(3/00)	50%	EPS 1999 A	\$0.03
Fiscal Year	December	FC Cons. Estimate 2000	\$0.15

Recently Announced Spin-Off Situations

Nortel to Carve-Out Optic's Division

On September 15, Nortel (NYSE: NT) confirmed that it would carve-out between 10%-15% of its optical division (potentially the largest IPO in history). There has been speculation that the Optics division would be carved out given recent market valuations on other Optical component companies, including JDS Uniphase, Corning and later this month Alcatel's Optic tracker. In July, Nortel broke off discussions with Corning about a possible combination of its optical division because of control issues. Nortel's optical components division is forecasted to reach revenues of about \$2.5 billion in 2000. Based on current market valuations (22x 2001 sales), Nortel's optical division could be worth upwards of \$70 billion or \$25 per Nortel share. Nortel currently has a share price of \$63 5/8. If current valuations hold, Nortel's remaining business is worth about \$38 5/8 per share.

We do not think that Nortel will spin the balance off given that talks with Corning broke down over control. Rather, we view the carve-out as a currency to pursue acquisitions.

Nortel Networks is the second largest telecom maker behind Lucent (which also plans to spin-off its optical components business). Nortel products include switching, wireless, and broadband network systems. They are a leader in fiber-optic systems for high-capacity data and voice networks. Nortel Networks has a 43% share of the global optical transmission market, almost three times more than Lucent Technologies. The figure, which represents the company's market share for the second quarter of 2000, is a 6.4 percentage point increase from the first quarter. Lucent's market share fell from 19 percent in the first quarter of this year to 15 percent in the second quarter 2000.

On October 2, Cable & Wireless chose Nortel Networks for a \$1.4 billion, 10-year contract to build and operate a voice-over-Internet (VoIP) backbone

network for the British firm that would span Europe and North America. Plan calls for the network to be built in three years and for 80% of C&W's voice traffic to migrate onto the network. The switch will allow C&W to cut network costs by about 25%. The new network will also be easier to manage because it combines voice and data services over a single network.

VoIP technology allows customers to bypass charges of long-distance telephone companies by breaking down sound into data packets, which are then transmitted like other Internet data. As a result, a personal computer user can use the PC as a phone and communicate by voice with another PC user. Similarly, voice mail can become a PC add-on, and video conferencing should become simpler and more reliable. Such services are becoming available in the U.S., Europe and Asia, but are primarily aimed at business customers because phone companies will have to spend heavily to adapt residential systems.

Nortel will be hosting their third quarter conference call on October 24, and may provide additional information or guidance on their intentions. Third quarter revenues are forecasted to be \$7.4 billion and EPS of \$0.17. Operating margins are expected to increase 200 basis points Y-o-Y to 11%. Wireless growth is forecasted around 20%, WAN switching growth to exceed 25% and Optical systems to exceed 20% sequential. Enterprise sales are forecasted at \$1.3 billion (5% growth Y-o-Y). Given that Lucent recently spun-off its Enterprise Networking division (Avaya) to focus more on growth areas, we would not be surprised to see Nortel announce some type of action (sale or spin-off) to shed its Enterprise Networking division because of its slowing growth and deteriorating margins.

Recently Announced Spin-Off Situations

U.S. Industries to Spin-Off Lighting and Industrial Tools Division

U.S. Industries (NYSE: USI) announced that it plans to spin off its lighting and industrial tools businesses in a **taxable dividend** to shareholders before the end of the year. James O'Leary, currently Executive Vice President of USI, would become Chairman and Chief Executive Officer of the new company, which would apply for a listing on the New York Stock Exchange. The business will consist of Lighting Corporation of America, the fourth largest lighting fixture manufacturer in the United States, SiTeco (a major European lighting fixture manufacturer) and Spear & Jackson (an international manufacturer of industrial hand tools). On a pro forma basis for fiscal 1999, these businesses had annual revenues of approximately \$919 million and operating income of \$53 million before corporate costs. An Information Statement about the new company will be filed with the SEC shortly.

Management also announced that it has retained Credit Suisse First Boston to review strategic alternatives for USI subsequent to the spin-off. Following the spin-off, USI will be focused on branded, consumer-oriented products sold to leading home centers and mass merchants. Each of its major brands serves markets in which it is ranked either one or two with significant market shares, extensive "best-in-class" distribution and excellent growth prospects. On a pro forma basis for fiscal 1999, these businesses had annual revenues of approximately \$1.7 billion and operating income of \$180 million before corporate costs. USI decided to pursue the spin-off after concluding that USI would have a

higher growth profile and improved prospects as a more focused company and after fully reviewing all alternatives available for the lighting and industrial tools businesses, including a sale. The spin-off will also allow the lighting business to implement a comprehensive business improvement plan that will significantly improve operating margins and free cash flow. USI also said it is currently reviewing various capital structure alternatives for both companies with the goal of maintaining investment grade ratings. Associated with this spin-off, the company will take a charge of about \$120 to \$140 million, most of which will be non-cash write-offs for potentially unrecoverable assets associated with Spear & Jackson and Selkirk Europe. The balance of the charge will be related to a comprehensive margin improvement program that has been initiated.

U.S. Industries owns several major businesses selling branded, consumer-oriented building products to leading home centers and mass merchants. These brands include Jacuzzi, Ames/True Temper, Sundance Spas, and Zurn, among others. The company's three business divisions deal mainly with construction and home improvement. Its bath and plumbing division's businesses include whirlpool maker Jacuzzi and plumbing products makers Eljer and Zurn. USI's lighting division makes indoor and outdoor lighting fixtures for both commercial and residential purposes. The tools and hardware division makes hand and lawn and garden tools and industrial products through its O. Ames, True Temper, and Spear & Jackson companies.

US Industries (NYSE: USI)			
Price (10/6/00)	\$9 13/16	Dividend/Yield	\$0.20/2.04%
52 Week Range	\$16 1/8 – 9 11/16	Earnings TTM	\$1.52, P/E 6.5X
Shares Outstanding	76.8M	Est 9/00 Earnings	\$1.41, P/E 6.9X
Market Value	\$754 M	EV/EBITDA	4.75X
Fiscal Year	September	1999 Revenue	\$3.35 B

Fresh Foreign Spin-Off Situations

Alcatel to Offer First European Tracker

On September 20, Alcatel shareholders voted in favor to float its optoelectronics division, which will be the first European tracking stock. The IPO is expected to begin trading on October 20, and could raise up to \$1.6 billion. Alcatel will list the tracker on the NASDAQ (ADR) and Paris Stock Exchange (PSA: OPTR). Alcatel will sell 20% or 18.97 million shares between $\text{€}85$ – $\text{€}100$. Assuming the deal is priced at the high end of the range it would value the unit at $\text{€}9.5$ billion, which is below street estimates. We suspect that the offering price has been discounted to assure the tracker meets with a warm response. Morgan Stanley will be the lead underwriter.

Alcatel's attempt to issue a tracking stock for its optical division will be the test case in Europe because it is not known how the European investment community will respond to tracking stocks. If the demand is satisfactory it may provide a vehicle for other European firms to highlight assets while retaining control. As we have stated in the past, a tracker is designed to highlight its market value while preserving the division's strategic value to the parent. A tracking stock does not create an independent company, but a separately identifiable division for Alcatel. In theory, the tracker works as a fully tradable proxy for how a subsidiary would be valued were it listed as an independent company.

Tracking stock shareholders will have more protection in France than in the US because French regulators have taken an active role in the structure. First, Alcatel will be only able to redeem stock if it sells the division. Second, the dividend in the tracking stock will be fixed to correspond with Alcatel's earnings. Alcatel will distribute 10% of the Optonics business'

net profit to shareholders in the form of a dividend, with a minimum of 10 European cents per share and a maximum of 150% of the company's normal dividend. Third, the tracker **will have one vote per share** versus U.S. tracking structures having no voting rights or very little participation.

The Optoelectronics Division designs, manufactures and sells high performance optical components, modules and integrated subsystems for use in terrestrial and submarine optical telecommunications networks. The division is a leading provider of Dense Wavelength Division Multiplexing (DWDM) active components and modules into subsystems. The unit has 1,900 employees, representing 1.5% of Alcatel's total work force, and produces components at four facilities, two in France, one in the U.S. and one in Canada.

Valuation

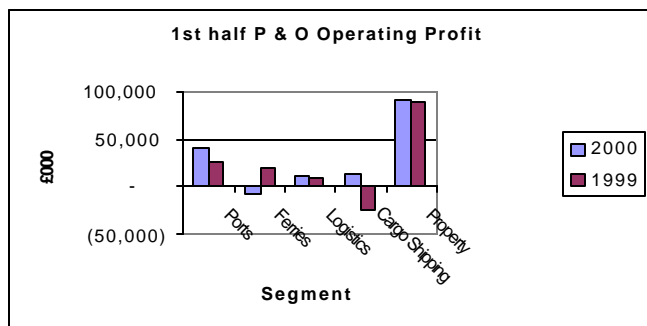
The Optoelectronics unit posted a net profit of $\text{€}25$ million in the first half of this year on sales of $\text{€}161$ million. Alcatel's Optoelectronics 2000 revenue guidance has been about $\text{€}400$ million and the unit is expected to generate 2001 sales of $\text{€}630$ - $\text{€}670$ million (62% growth y-o-y). Comparable companies such as JDS Uniphase, Corning and SDL Corp trade at an average of 22x's 2001 sales. If we apply a sales multiple of 22x sales, we value the optics division at around $\text{€}14.3$ billion ($\text{\$}12.8$ billion) or $\text{€}150$ per share. We do not believe the Optoelectronics division will be assigned this type of multiple due to the tracking structure. We suspect the offering price has been discounted to assure a warm response to the offering. If the market values the tracker at $\text{€}100$, each Alcatel share would contain $\text{€}8.30$ of embedded value. **Since this is the very first European tracking issue, it is difficult to predict how it will be received.**

Fresh Foreign Spin-Off Situations

P & O to Spin-Off Princess Cruises

The Peninsular and Oriental Steam Navigation Company (POSBY:ADR, \$17 5/16) expects to spin-off its Princess Cruise line (LSE and NASDAQ: POC) on October 23. The record date will be October 20 and is subject to a vote at a special shareholders meeting on October 20. P & O shareholders will receive one share of the new Princess Cruise Line for every one share of Peninsular & Oriental. There are approximately 339 million ADR's outstanding.

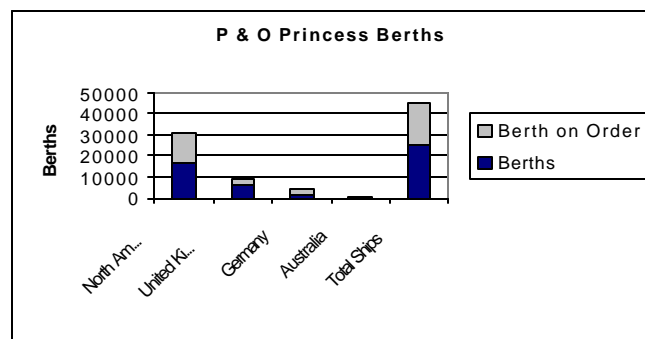
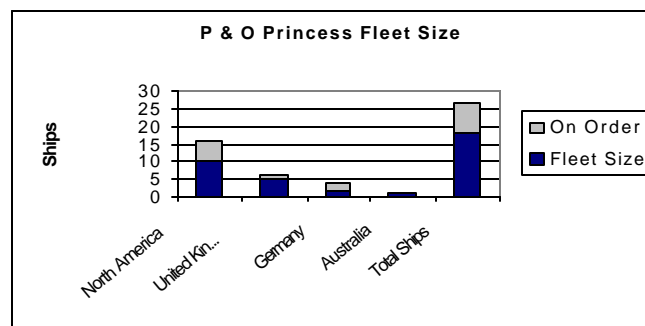
The new P & O will comprise of ports, ferries and logistics; combined the new Peninsula and Oriental reported an operating profit of £148.6 million for the first half of 2000, an increase of 22.7% versus £121.1 million in 1999 (excluding Princess cruises). **P & O Ports** is a leading international container terminals



operator with interest in 28 terminals in 16 countries. P&O's container throughput was 5.8 million TEU's (twenty foot equivalent units) in 1999 and expects over 8 million TEU's in 2000. Container traffic volumes have a CAGR of about 10% over the last ten years and are expected to increase as world trade barriers are reduced and world trade expands. **P & O Ports** **P & O Ferries** is northwestern Europe's largest ferry operator and includes Sweden's Stena Line. The ferry environment has grown more competitive in Great Britain because of competition from the Eurotunnel. In the first six months ending June 30, P & O Ferries reported revenues of £197.5 and an operating loss of

£7.4. **P & O Logistics** reported revenues of £527.6 million for the same period.

P & O Princess Cruises is the world's third largest cruise company behind Carnival and Royal Caribbean. In 1999, Princess Cruises reported revenues of \$2.1 billion and net income of \$267.7 million (US GAAP), and for the first six months of 2000 reported revenues of \$1.16 billion and net income of \$115 million (US GAAP). Princess Cruises operates a fleet of 18 ships (10 in North America) and is expected to expand significantly in the North American market over the next several years. Current deployment plans for the Caribbean are for four ships with an average of 2100 berths (average age 2 years) and two ships for the Panama Canal (transcanal) with an average age of 7.5 years and 1750 berths. In total, Princess will have over 12,230 berths for the upcoming Caribbean season and 16,000 berths in North America. Currently, Princess



Cruises has 6 ships on order for North America that will increase berths by 85% to a total of 31,000 berths (includes Pacific Northwest).

In 2001, industry capacity for North America was expected to increase by 13%. However, Premier Cruise Lines recently ceased operations that should reduce capacity by 3%. Premier controlled about 6,600 berths (5% of North America Berths) and was the fifth largest cruise line. Premier's fleet had an average age of 30+ years compared to the rest of the industry's average age of 10 years. Capacity in the Caribbean is expected to increase about 19% for the industry in 2001 and 40% for Princess Cruises.

The steady rise in oil prices will undoubtedly be a factor to watch this season. Management estimates that current fuel prices will cost an estimated \$30 million more than in 1999. In addition, 25% of earnings are derived from British Sterling and the Euro, so the current rise in the US Dollar may have negative impact when earnings are translated into US Dollars. In addition, the cruise industry carries additional risk because it is highly sensitive to economic cycles.

As for a valuation, a rough estimate based on Carnival (NYSE: CCL) and Royal Caribbean (NYSE:RCL) would indicate that Princess Cruises should be valued around \$10 per share for a market capitalization of \$3.4 billion and would indicate that the stub business is being valued at \$7.50 per share

Company	Princess Cruises	Carnival Cruises	Royal Caribbean	Average Comp
Ticker	POC	CCL	RCL	Average
Current Implied Price	\$ 10.00	\$ 24.38	\$ 25.75	
Shares Out. (000,000)	339.50	589.40	180.82	
Market Cap (000,000)	\$ 3,395	\$ 14,367	\$ 4,656	
Enterprise Value (000,000)	\$ 4,234	\$ 15,447	\$ 7,090	
EPS (Diluted)				
TTM / Pro Forma	\$ 0.81	\$ 1.69	\$ 2.13	
2000 Trailing P/E	12.29	14.42	12.09	
2000E	\$ 0.84	\$ 1.66	\$ 2.29	
Forward P/E	11.93	14.68	11.24	12.62
Enterprise				
Enterprise Value / EBITDA	7.99	12.83	9.87	10.23
12 month Trailing				
EBITDA Per Share	1.56	2.04	3.97	
EBITDA Multiple	6.40	11.93	6.48	9.21
EBITDA Margin	23.1%	33.0%	27.2%	
12 month Trailing				
Trailing Sales	\$ 2,293	\$ 3,653	\$ 2,643	
Price to Sales	1.48	3.93	1.76	2.85
Gross Margin	26%	46%	42%	
Operating Margin	12%	26%	19%	
Book Value	\$ 6.30	\$ 9.87	\$ 17.91	
Price to Book	1.59	2.47	1.44	1.95
Turnover's				
Account Rec. Turnover	7.49	37.77	55.61	
Current Asset Turnover	4.85	5.87	11.54	
Working Capital Turnover	(3.94)	(3.88)	(3.99)	
Returns				
Return on Average Equity	13.98%	18.84%	14.27%	
Pre-Tax Average ROA	12.69%	11.52%	8.36%	
Return on Capital	9.28%	15.62%	9.28%	
Leverage				
Current Ratio	0.45	0.40	0.26	
Quick Ratio	0.45	0.25	0.17	
Cash Ratio	0.16	0.19	0.12	
Cash per share	\$ 0.49	\$ 0.51	\$ 0.57	
Debt to Capital	28%	16%	43%	
Debt to Book Equity	39%	19%	75%	
Liabilities to Equity	100%	43%	96%	
NOTES:				
Princess Cruises conformed to US GAAP				
Although the information contained herein has been obtained from sources believed to be reliable, its accuracy and completeness cannot be guaranteed. In addition, employees of Spin-Off Advisors, L.L.C. may have positions in the securities or options mentioned herein. All rights reserved by Spin-Off Advisors, L.L.C.				

Announced Foreign Spin-offs

Pearson Plc to Carve Out Recoletos

Recoletos Cia Editorial SA, the Spanish media group announced its intention to float up to 25 per cent of its capital by the end of October. The company will make a public offering of 29.1m shares and will also carry out a capital increase by issuing up to 7.5m new shares. The company hopes to float 20-25% of its capital in three different investor tranches: a Spanish minority investor tranche (and a sub-tranche for employees of Recoletos and its subsidiaries), plus Spanish and international institutional investor tranches. The offer has a non-binding price range of 12.75 to 15 Euros a share; the price will be set on Oct 23rd.

Banco Santander Central Hispano SA and Goldman Sachs, are acting as the offer's coordinators, and will have a greenshoe option worth up to 5% of the Recoletos shares coming to the market. Of the total offer, which will be directed at both retail and institutional investors, 7.5 million will be new shares from a capital increase and 18.6 million held by existing shareholders.

Recoletos did not give an approximate selling price for the shares. Recoletos' share capital stands at Pta4.055 billion, however, in preparation for the flotation, a capital increase of 1.7 million Euros (Pta661.3 billion) through the issue of 8.8 million new shares was approved last August. Directors will receive 1.3 million of these shares as part of a stock options plan. Recoletos' revenue totaled Pta35.91 billion in 1999 and the group made an operating profit of Pta9.18 billion.

Pearson Plc, (LSE: PSON, PSORF-ADR) the parent

of Recoletos, is an international media group with 4 major divisions. The first is the Financial Times Group, which prints national and international newspapers, books, magazines and periodicals and provides electronic information services. Next, the education division publishes educational books. Third, the Penguin Group publishes English language books. Fourth, the television division produces, distributes and broadcasts television programs. During 2000 the group acquired a majority interest in Dorling Kindersley Holdings PLC & National Computer Systems, Inc. Education accounted for 52% of 1999 revenues; Financial Times Group, 20%; Penguin Group, 17% and television, 11%.

Recoletos is one of the leading media groups on the Iberian Peninsula. Recoletos publishes some of Spain's best-selling magazines and newspapers, including Marca, Expansion and Actualidad Economica, and has interests in television and the Internet. With partners, the newspaper titles sell around 900,000 copies a day and sell some 500,000 copies of its weekly/monthly magazines. The group publishes Spain's leading financial and business publication, Expansion, and Europe's best selling sports newspaper, Marca. It owns a 30% stake and has an active management role in Unedisa, which publishes El Mundo, one of Spain's leading daily newspapers and owns a 50% stake in Economica, which publishes Portugal's leading daily financial and business newspaper. Recoletos also has a 10% stake in the broadcaster, Antena 3. The business television channel, Expansion Financiera, is broadcast from Madrid to Spanish and Latin American financial centers on the satellite digital platform, Via Digital, in which the group has a 5% stake.

Announced Foreign Spin-offs

Telefonica S.A. to Carveout Mobile Communications

On September 29th, Telefonica Moviles, a subsidiary of the Telefonica Group (NYSE: TEF) dedicated to mobile communications, announced **plans to issue as much as 15% of its shares in an initial public offering that values the company at between \$53 billion and \$66 billion.** Listings will be requested for Telefonica Moviles' shares on the four Spanish stock exchanges and on the Mercado Continuo (Continuous Market); and in the United States, on the NYSE in the form of American Depositary Shares (ADS's). Spanish telecommunications giant Telefonica SA expects to carry out its initial public offer of shares of its Telefonica Moviles SA unit on November 20th.

Telefónica, S.A. is a leading telecom operator in the Spanish and Portuguese speaking world. With revenues of EUR 13.278 million in the first half 2000, Telefónica is Spain's largest multinational by earnings and stock market capitalization, and one of the world's leading telecom companies. Through subsidiaries in Latin America, Europe, the United States and Africa, Telefónica provides services in twenty-five countries with a potential market of over 550 million people, of which 60 million are customers. Besides listing on Spain's four stock markets (Madrid, Barcelona, Bilbao and Valencia) Telefónica shares are traded on the London, Paris, Frankfurt, Tokyo, New York, Buenos Aires, São Paulo and Lima exchanges.

To stay in front in the competitive global telecom market Telefónica SA has organized itself as a series of global business lines, each run as an independent company. This enables divisions to act on their own initiative, while backed by the strength of group synergies. Several months ago the company set up umbrella companies to manage its interests in the Internet business (Terra), call centers (Atento) and media production and broadcasting (Telefónica Media). Along with the aim of becoming one of the world leaders in the creation and distribution of content in all markets and systems, Telefónica acquired 99.2% Endemol Entertainment, an independent producer of content in Europe, through a

share exchange deal.

Telefonica Moviles is one of the leading mobile communications companies in Spain and Latin America and one of the 10 largest operators in the world. During 2000, the company aims to group all its global mobile phone interests into a new business line (Telefónica Móviles) while Telefónica DataCorp is to incorporate all the group's business services in a single company. The recently created Telefónica B2B is positioning itself as a new line of business to accelerate development of e-commerce between companies. A new business line will also bring together all fixed-line telephony operations in Latin America. And in a further step to consolidate its regional leadership, the group has created Emergia, which is building the region's largest and most advanced submarine fiber-optic network linking South America, Central America and the US from the Atlantic to the Pacific seaboard.

On October 4, Spanish daily ABC reported Telefonica Moviles, would buy the Motorola stake in five companies in Mexico for about \$2.6 billion, in a move that would enable the company to cobble together a wireless network across Latin America. Telefonica is seeking to complete the deal with Motorola before the IPO. Motorola said there is a nonbinding agreement in place that is still under discussion. **Ironically, if this deal goes through, it would likely thwart plans for Motorola to spin off its own wireless properties as Propel (Spin-Off Research-July).** Propel's SEC filing indicated that the carveout would have valued Propel at \$2.87 billion (based on the midpoint of the price range). The Mexican properties are considered the group's major wireless assets, because the Motorola division owns a majority interest in most.

The purchase would give Telefonica Moviles an estimated 1.3 million cellular customers in Mexico and raise its worldwide client base to about 19 million. Telefonica Moviles, with 11.45 million clients in Spain and large holdings in other Latin American countries, could also become Mexico's third largest mobile operator. Mobile penetration in the Mexican market is just 10%.

Announced Foreign Spin-offs

Telefonos de Mexico to Spin off Telcel Mobile Unit into America Movil

On September 27th, Mexico's dominant telephone company, Telefonos de Mexico (NYSE: TMX), announced plans to spin off its Telcel mobile division into a separate company called America Movil. It will include Telcel of Mexico (the country's main wireless operator) and businesses in Puerto Rico, Spain, South America, Central America and the United States. America Movil will be Latin America's largest cellular telephone operator with more than 9.9 million wireless subscribers. Shareholders of Mexican telecommunications giant Telefonos de Mexico approved splitting off the company's wireless and international operations. TelMex shareholders will receive an equal value of America Movil shares in the spin-off, which will be listed initially on exchanges in Mexico City and New York before the end of the year. No additional shares in the new company has been offered.

Telmex is sending its cellular unit out on its own, and the move is seen bringing benefits to both the parent and its newly freed offspring. The move would create Latin America's largest cellular company, which would also include many of the company's foreign

holdings. In the future Telmex would focus on its main mission, expanding its traditional landline telephone operations plus expanding its Internet sector. Set to inherit at least 9.9 million cell phone subscribers, America Movil would have greater transparency as a standalone company.

TelMex, a former state monopoly privatized in 1990, had more than \$10 billion in revenues last year and has extensive investments in Latin America. It is a global telecommunications company that provides total telecommunications solutions to its clients: local and long distance wire service, wireless communications, multimedia network for video, audio and data, network engineering, digital wireless network access, and Internet. Based in Mexico City, TelMex is currently positioned as the regional market leader in Telecommunications, with a presence in Mexico, The United States, Guatemala, Puerto Rico, and Brazil. The company has more than 11 million fixed landlines in Mexico and its growing Internet projects include a pact signed last March with Microsoft to create a Latin American-wide portal.



Potential Spin-Off Situations

Aventis May Divest Aventis CropScience

Due to the lack of synergies between the agchem and pharma businesses, Aventis (NYSE: AVE-ADR) may divest Aventis CropScience. Other life sciences companies such as Novartis, AstraZeneca, and American Home Products have been divesting their crop protection activities due to an industry-wide downturn. Separately, Aventis CropScience has sold two herbicide active ingredient businesses to Feinchemie Schwebda. The sale of the ingredients, carbetamide and dimefuron, includes manufacturing rights, registrations, formulations, and commercial brand names. Combined sales of the products amounted to Euro 6 million in 1999. They are used to combat weeds that grow among canola, peas, sunflower, and chicory. The company plans to reduce its European workforce by about 1,400, in addition to 2,200 job cuts worldwide in the business since Hoechst and Rhone-Poulenc merged to create Aventis in 1999.

Aventis is also seeking a buyer for its animal nutrition business, which has an estimated value of \$5 billion. Aventis Animal Nutrition is the world's third-largest feed additives supplier, after Roche and BASF, with a 15% market share. The business posted a 3% decline in first-quarter sales, to Euro138 million (\$132 million).

Profits were not disclosed.

Aventis CropScience, the agro-chemicals division of the giant Franco-German life sciences group Aventis, said it has reached an agreement to sell off AgrEvo's Isoproturon (IPU) herbicides for cereal crops. The herbicides business will be sold to Griffin L.L.C., a company jointly owned by Griffin Corp. To comply with EU's competition authorities when the Commission gave a conditional go-ahead to the merger between the German group Hoechst and the French chemicals giant Rhone-Poulenc in August 1999. No financial details of the sale were revealed. According to the arrangement between Griffin L.L.C., Aventis CropScience will continue to market the range of IPU-based products made by Rhone-Poulenc Agro in most European markets, except the EU Member States where Griffin L.L.C. will start operations from this autumn onwards. With the industry's most comprehensive product portfolio under its belt and a huge budget devoted to extensive R&D, Aventis CropScience can provide a wide range of innovative agricultural products to help maximize yields and minimize costs.



Potential Spin-Off Situations

Reuters PLC to Float Instinet Next Year

On September 25th, Reuters Group PLC, (NASDAQ: RTRSY) is considering a flotation of its online brokering business, Instinet, in the first half of next year. The company is expected to list the business on the technology-oriented U.S. Nasdaq index with an estimated valuation of between £3.5 billion and £4.5 billion (\$5.2 – \$6.7 Billion). The tumult that followed for hi-tech stocks meant the project was put on hold. Instinet has recently been Reuters' star performer and was a crucial driver behind a strong half-year performance. In July, the group reported a 50-percent improvement in revenues to £38-million.

Reuters Group PLC is a global information services company supplying the international business community and news media with a wide range of products including real-time financial data, transaction systems, information management systems, access to numerical/textual historical databases, news, news pictures and television news. The group has subsidiaries in the United Kingdom, Europe, the Middle East and the Asia/Pacific region. Reuters operates in 90 countries and has a communication network spanning 161 countries. Information products accounted for 52% of 1999 revenues, transaction products, 25% and media and professional products, 23%. The company provides two of the worlds top Internet-accessed photo archives with over 400,000 digital images dating back to 1995. The company also provides a breaking News photo & graphics service for up-to-the minute coverage of world events.

Reuters Information's broad product range extends from full service information and software applications for traders in the dealing room, brokers and Investment managers, through to internet-delivered solutions linking financial professionals to their clients. 3000Xtra is Reuter's flagship professional product exploiting the latest developments in applications

technology. Reuters Trading Solutions provides global solutions and technologies for the financial markets including enterprise-wide integration, market information and data distribution, equity and foreign exchange transactions as well as risk and trade management. It also supplies technologies and portal capabilities to clients to supply their retail customers with information, data and the ability to transact.

Founded in 1969, **Instinet** was acquired by Reuters Group PLC in 1987. Instinet founded the electronic stock trading industry over 30 years ago. Today, Instinet is the world's largest agency broker, trading in more than 40 global markets daily, with memberships in 20 exchanges throughout North America, Europe, and Asia. Recognized as a major force in the financial industry, Instinet uses technology to improve capital raising efficiency and brings issuers and investors ever closer together. Throughout its history, Instinet has met clients' needs by offering a unique business model. Built on the tenets of neutrality, anonymity and transparency, Instinet does not compete with client trading strategies. Instinet's mission is to provide services and tools that increase its clients' investment performance, meaning greater value for investors and the individuals they represent. Instinet's institutional equity clients represent more than 90% of the institutional equity funds under management in the U.S. These institutions, by using Instinet's global electronic equity brokerage services, save in excess of \$3 billion annually in transaction costs. The cost savings are passed on to individual investors directly in the form of reduced investment management fees or through other savings.

Potential Spin-Off Watch List

Parent	Symbol	Potential Spin-Off	Report Date
Able Telecom	ABTE	Broadband Networks	Mar-00
American Standard	ASD	Medical System Group	Aug-99
Arel Communications	ARLCF	ArelNet	May-00
AT & T	T	Cable Tracker / Long Distance	May-00
Autozone	AZO	Internet Sales Unit	May-00
Aventis	AVA	Crop Science	Oct-00
Best Buy	BBY	E-Commerce Subsidiary	Dec-99
British Telecommunications	BTY	Internet Business	March-00
Bright Station	BSTN	4 units	June-00
Carolina Power & Light	CPL	Interpath Communications	May-00
Delphi Automotive	DPH	High Tech supplier business	April-00
Degussa-Huels		Dental Unit	June-00
Dupont	DD	Life Sciences	April-99
Elcor	ELK	Cybershield	April-00
eToys	ETYS	Babycenter Unit	Sept-99
eToys	ETYS	eToys Europe	May-00
France Telecom	FTE	Itineris	Mar-00
Hilton Group Plc.	HLTGY	Betting and Gambling Business	Mar-00
Interpublic Group	IPG	Zentropy	Jan-00
JC Penney	JCP	Eckerd Drug Chain	June-00
Kmart	KM	Bluelight.com	Mar-00
Litton	LIT	Electronics Division	April-00
Novell	NOVL	Internet Content Division	Sept-00
Omnicom Group	OMC	Career Mosaic	Jan-00
Phillip Morris	MO	Kraft	July-00
Reuters	RTRSY	Web Security Financial Network	Mar-00
Reuters	RTRSY	Instinet	Jan-00
Reynolds and Reynolds	REY	Document Services	May-00
Quest	Q	Cyber.Solutions	August-00
SBC Communications	SBC	Wireless Tracking Stock	Jan-00
Tandy	TAN	RadioShack.com	July-99
Targeted Genetics	TGEN	Cell Therapy Division	Sept-00
United Technologies	UTX	Fuel Cell Division	April-00
U.S. Plastics Lumber	USPL	Environmental Services Unit	Jan-00
Westell Technologies	WSTL	Conference Plus	Jan-00
WorkFlow Management	WORK	iGetSmart	June-00
WorldCom	WCOM	Consumer and Wholesale	August-00

Valuation Snapshot

American Home Products / Immunex

American Home Products (AHP)		973-660-5000	Immunex (IMNX)		206-587-0430																																				
Current Price	\$ 57.50		Current Price 00-EPS	\$ 37.88	\$0.27 140.2X																																				
Shares Out (000)	1,306,000		Shares Out / Float	532,680	244,500																																				
Market Cap. (000)	\$ 75,095,000		Market Cap. (000)	\$ 20,175,255																																					
Enterprise Value	\$ 77,445,710		Enterprise Value	\$ 19,499,895																																					
Sales 12 Month Trailing	\$ 13,444,000		TTM Sales Price /Sale	\$ 623,000	32.38 X																																				
Book Per Share	\$ 4.79		Book Value Price /Boo	\$ 0.87	43.68 X																																				
Insider / Inst. Held	1%	68%	Insider / Inst. Held	65%	29%																																				
Short Int. / ratio	4.619	1.383	Short Int. / ratio	6.2	1.075																																				
52 Week Range	\$36.5 - \$61.62		52 Week Range	\$13.76 - \$83.6																																					
American Home Products ownership of Immunex			With Immunex multiple	Without IMNX per share multiple																																					
Shares owned (000)	288,180		Price-to-Sales	\$10.29 5.58 X	Price-to-Sales \$9.81 5 X																																				
Ratio Per American Home Products share	0.2207		Price-to-Book	\$4.79 12.01 X	Price-to-Book \$4.59 10.69 X																																				
Value Per American Home Products share	\$8.35		Price/Earnings	\$1.92 29.95 X	Price/Earnings \$1.86 26.41 X																																				
American Home Products Stub Value	\$49.14		Price/EBITDA	\$2.82 20.38 X	Price/EBITDA \$2.75 17.83 X																																				
Economic Interest	54%		Enterpr./EBITDA	21.03 X	Enterpr./EBITDA 18.58 X																																				
American Home Products Relationship with Immunex			Comparables	Bristol-Meyers	Merck																																				
Intend to Spin	Will Sell		Price-to-Sales	5.29 X	4.93 X																																				
IRS Tax Free Ruling	N/A		Price-to-Book	12.45 X	13.76 X																																				
Record Date / Distr. Date	N/A		Price/Earnings	24.22 X	26.93 X																																				
Immunex IPO Date / Price	3/1/91	\$4.46	Price/EBITDA	15.96 X	16.63 X																																				
IPO-Lockup Expires	██████████		Enterpr./EBITDA	15.84 X	16.95 X																																				
Shares to Distribute / Float	1.2 X																																								
Daily Graph			Spread Relationship																																						
			<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td>40 Day Average</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">45.28</td> </tr> <tr> <td>40 Day Variance</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">3.72</td> </tr> <tr> <td>40 Day St. Dev.</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">1.93</td> </tr> <tr> <td>40 Day Correlation</td> <td></td> <td style="text-align: right;">(0.02)</td> </tr> <tr> <td>20 Day Average</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">45.91</td> </tr> <tr> <td>20 Day Variance</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">2.71</td> </tr> <tr> <td>20 Day St. Dev.</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">1.65</td> </tr> <tr> <td>20 Day Correlation</td> <td></td> <td style="text-align: right;">(0.05)</td> </tr> <tr> <td>10 Day Average</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">47.13</td> </tr> <tr> <td>10 Day Variance</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">0.70</td> </tr> <tr> <td>10 Day St. Dev.</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">0.83</td> </tr> <tr> <td>10 Day Correlation</td> <td></td> <td style="text-align: right;">0.40</td> </tr> </tbody> </table>			40 Day Average	\$	45.28	40 Day Variance	\$	3.72	40 Day St. Dev.	\$	1.93	40 Day Correlation		(0.02)	20 Day Average	\$	45.91	20 Day Variance	\$	2.71	20 Day St. Dev.	\$	1.65	20 Day Correlation		(0.05)	10 Day Average	\$	47.13	10 Day Variance	\$	0.70	10 Day St. Dev.	\$	0.83	10 Day Correlation		0.40
40 Day Average	\$	45.28																																							
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American Home Products is currently engaged in the discovery, development, manufacture, distribution and sale of a diversified line of products in three primary businesses, Pharmaceuticals, Consumer Health Care and Agricultural Products. The Company's Pharmaceuticals segment manufactures, distributes and sells branded and generic human ethical pharmaceuticals, biologicals, nutritional and animal biologicals and pharmaceuticals. The Company's Consumer Health Care segment manufactures, distributes and sells over-the-counter healthcare products. In addition, the Company's Agricultural Products Group manufactures, distributes and sells crop protection and pest control products. Products include Triphasil, infant nutritionals, neuroscience therapies, Advil, Robitussin and Dimetapp, Centrum and Centrum Silver vitamins, and herbal products.

Immunex is a biopharmaceutical company that discovers, develops, manufactures and markets innovative therapeutic products for the treatment of human diseases including cancer, infectious diseases and immunological disorders. The Company's major product lines are Enbrel, Leukine, Novantrone and Thioplex. Enbrel is a soluble tumor necrosis factor receptor used to reduce inflammatory activity in patients with moderate to severe rheumatoid arthritis. Leukine is a yeast-derived granulocyte-macrophage colony-stimulating factor that is used to stimulate infection-fighting white blood cells. Novantrone and Thioplex are chemotherapy drugs that are used to treat pain in cancer patients. Immunex is currently developing new products to address ailments such as inflammatory disease, infection, multiple sclerosis, asthma and cancer.

Valuation Snapshot

AT&T / AT&T Wireless					
AT&T (T)		212-387-5400	AT&T Wireless (AWE)		425-580-8349
Current Price	\$ 26.56		Current Price 00-EPS est.	\$ 21.13	\$0.058 364.2X
Shares Out (000)	3,278,000		Shares Out / Float	2,310,000	360,000
Market Cap. (000)	\$ 87,071,875		Market Cap. (000)	\$ 48,798,750	
Enterprise Value (000)	\$144,366,875		Enterprise Value	\$ 48,798,767	
Sales 12 Month Trailing (000)	\$ 64,661,000		TTM Sales Price /Sales	\$ 8,976,000	5.44 X
Book Per Share	\$ 0.03		Book Value Price /Book	[REDACTED]	
Insider / Inst. Held	1%	37%	Insider / Inst. Held	84%	9%
Short Int. / ratio	47.074	2.385	Short Int. / ratio	19.332	4.457
52 Week Range	\$26.62 - \$61		52 Week Range	\$20.43 - \$36	
AT&T ownership of AT&T Wireless		With AT&T Wireless		Without AT&T Wireless	
Shares owned (000)	1,950,000	Price-to-Sales	1.35 X	Price-to-Sales	\$16.98 0.82 X
Ratio Per AT&T share	0.5949	Price-to-Book	818.28 X	Price-to-Book	[REDACTED]
Value Per AT&T share	\$12.56	Price/Earnings	14.96 X	Price/Earnings	\$1.74 8.04 X
AT&T Stub Value	\$13.99	Price/EBITDA	4.11 X	Price/EBITDA	\$6.45 2.16 X
Economic / Voting Interest	84% / 84%	Enterpr./EBITDA	6.82 X	Enterpr./EBITDA	4.66 X
AT&T Relationship with AT&T Wireless			Comparables		
Intend to Spin	Yes / Split-off	Tracking		WorldCom	Sprint
IRS Tax Free Ruling	Not necessary		Price-to-Sales	1.85 X	1.19 X
Record Date / Distr. Date	[REDACTED]		Price-to-Book	1.34 X	1731.74 X
AT&T Wireless IPO Date / Price	4/27/00	\$29.5	Price/Earnings	13.67 X	13.63 X
IPO-Lockup Expires	10/23/00		Price/EBITDA	5.2 X	4.01 X
Shares to Distribute / Float	5.4 X		Enterpr./EBITDA	6.73 X	4.88 X
			Spread Relationship		
			40 Day Average	\$	16.30
			40 Day Variance	\$	0.56
			40 Day St. Dev.	\$	0.75
			40 Day Correlation		0.85
			20 Day Average	\$	16.35
			20 Day Variance	\$	0.72
20 Day St. Dev.	\$	0.85			
20 Day Correlation		0.84			
10 Day Average	\$	15.92			
10 Day Variance	\$	0.72			
10 Day St. Dev.	\$	0.85			
10 Day Correlation		0.36			

AT&T Corporation provides voice, data and video communications services to large and small businesses, consumers and government entities. AT&T's primary lines of business are business services, consumer services, broadband services and wireless services. In addition, AT&T's other lines of business include network management and professional services through AT&T Solutions and international operations and ventures. In June 2000, AT&T completed the acquisition of MediaOne Group. With the addition of MediaOne's 5 million cable subscribers, AT&T becomes the country's largest cable operator, with about 16 million customers on the systems it owns and operates, which pass nearly 28 million American homes.

AT&T Wireless Group is one of the largest wireless service providers in the United States. Including its partnership markets, AT&T Wireless Group had over 12 million total subscribers as of December 31, 1999. AT&T Wireless Group focuses on revenue growth through the retention and expansion of its subscriber base. AT&T Wireless Group seeks to do this by providing new and innovative services that distinguish it from its competitors. Examples include pricing plans that simplify customer choice, such as AT&T Digital One Rate service, and bundled offerings of communications products and services that target specific customer groups.

Valuation Snapshot

Eaton / Axcelis							
Eaton (ETN)		216-523-5000		Axcelis (ACLS)			
				978-232-4000			
Current Price	\$ 61.19			Current Price 00-EPS est.	\$ 9.13 \$1.12 8.1X		
Shares Out (000)	72,700			Shares Out / Float	95,500 15,500		
Market Cap. (000)	\$4,448,331			Market Cap. (000)	\$ 871,438		
Enterprise Value	\$7,378,331			Enterprise Value	\$ 600,038		
Sales 12 Month Trailing	\$9,066,000			TTM Sales Price /Sales	\$ 548,000 1.59 X		
Book Cash Per Share	\$ 40.67 \$-3.3			Book Value Price /Book	\$ 3.08 2.96 X		
Insider / Inst. Held	11% 68%			Insider / Inst. Held	84%		
Short Int. / ratio	0.587 1.302			Short Int. / ratio	0.171 0.109		
52 Week Range	58.93 - \$89.12			52 Week Range	\$9.84 - \$30		
Eaton ownership of Axcelis		With Axcelis		Without Axcelis			
Shares owned (000)	80,000	Price-to-Sales	0.49 X	Price-to-Sales	\$117.16 0.43 X		
Ratio Per Eaton share	1.1004	Price-to-Book	1.5 X	Price-to-Book	\$37.28 1.37 X		
Value Per Eaton share	\$10.04	Price/Earnings	8.38 X	Price/Earnings	\$6.06 8.42 X		
Eaton Stub Value	\$51.14	Price/EBITDA	3.49 X	Price/EBITDA	\$16.56 3.08 X		
Economic / Voting Interest	83% / 84%	Enterpr./EBITDA	5.79 X	Enterpr./EBITDA	5.8 X		
Eaton Relationship with Axcelis			Comparables				
Intend to Spin	Yes / Split-off			Johnson Cntls	Parker Hannifan		
IRS Tax Free Ruling	Pending			Price-to-Sales	0.27 X 0.73 X		
Record Date / Distr. Date	██████████ 4-Qtr-00			Price-to-Book	2034.05 X 1.85 X		
Axcelis IPO Date / Price	7/10/00 \$22			Price/Earnings	10.96 X 9.1 X		
IPO-Lockup Expires	██████████			Price/EBITDA	3.35 X 4.73 X		
Shares to Distribute / Float	5.2 X			Enterpr./EBITDA	4.34 X 5.64 X		
			Spread Relationship				
			40 Day Average	\$	48.32		
			40 Day Variance	\$	7.43		
			40 Day St. Dev.	\$	2.73		
			40 Day Correlation		0.69		
			20 Day Average	\$	48.15		
			20 Day Variance	\$	4.12		
20 Day St. Dev.	\$	2.03					
20 Day Correlation		0.61					
10 Day Average	\$	49.47					
10 Day Variance	\$	3.60					
10 Day St. Dev.	\$	1.90					
10 Day Correlation		(0.36)					

Eaton Corporation is a global manufacturer of highly engineered products that serve industrial, vehicle, construction, commercial, aerospace and semiconductor markets. Principal products include hydraulic products and fluid connectors, electrical power distribution and control equipment, truck drivetrain systems, engine components, ion implanters and a wide variety of controls.

Axcelis Technologies, Inc. is a leading producer of ion implantation equipment used in the fabrication of semiconductors. The ion implantation process provides a means for introducing charged ions into the surface of a silicon wafer in order to form the active components of a semiconductor. The Company also produces dry strip, photostabilization and rapid thermal processing equipment, which is used in semiconductor manufacturing primarily before and after the ion implantation process.

Valuation Snapshot

Limited / Intimate Brands					
Limited (LTD)		614-415-7000		Intimate Brands (IBI)	
Current Price	\$ 23.06			Current Price 00-EPS e	\$ 20.25 \$1.079 18.7X
Shares Out (000)	445,306			Shares Out / Float	475,200 80,784
Market Cap. (000)	\$ 10,269,870			Market Cap. (000)	\$ 9,622,800
Enterprise Value	\$ 10,335,770			Enterprise Value	\$ 10,529,540
Sales 12 Month Trailing	\$ 9,726,970			TTM Sales Price /Sales	\$ 4,645,270 2.07 X
Book Per Share	\$ 4.92			Book Value Price /Book	\$ 1.22 16.55 X
Insider / Inst. Held	26%	72%		Insider / Inst. Held	84% 14%
Short Int. / ratio	17.224	16.739		Short Int. / ratio	1.318 2.45
52 Week Range	\$14.43 - \$25.87			52 Week Range	\$14 - \$24.18
Limited ownership of Intimate Brands		With Intimate Brands multiple		Without IBI per share multiple	
Shares owned (000)	394,416	Price-to-Sales	\$21.84 1.05 X	Price-to-Sales	\$11.41 0.44 X
Ratio Per Limited share	0.8857	Price-to-Book	\$4.92 4.69 X	Price-to-Book	\$3.83 1.33 X
Value Per Limited share	\$17.93	Price/Earnings	\$1.189 19.4 X	Price/Earnings	\$0.23 21.97 X
Limited Stub Value	\$5.12	Price/EBITDA	\$2.44 9.45 X	Price/EBITDA	\$0.37 13.72 X
Economic / Voting Interest	83% / 83%	Enterpr./EBITDA	9.52 X	Enterpr./EBITDA	12.68 X
Limited Relationship with Intimate Brands			Comparables	The Gap	Ann Taylor
Intend to Spin	NO		Price-to-Sales	1.38 X	0.86 X
IRS Tax Free Ruling	[REDACTED]		Price-to-Book	6.95 X	1.82 X
Record Date / Distr. Date	[REDACTED]		Price/Earnings	16.68 X	13.67 X
Intimate Brands IPO Date	[REDACTED]		Price/EBITDA	7.34 X	6.52 X
IPO-Lockup Expires	[REDACTED]		Enterpr./EBITDA	8 X	7.06 X
Shares to Distribute / Floa	4.9 X				
			Spread Relationship		
			40 Day Average	\$ 5.10	
			40 Day Variance	\$ 0.19	
			40 Day St. Dev.	\$ 0.44	
			40 Day Correlation	0.97	
			20 Day Average	\$ 5.31	
			20 Day Variance	\$ 0.17	
			20 Day St. Dev.	\$ 0.41	
			20 Day Correlation	0.87	
			10 Day Average	\$ 5.05	
			10 Day Variance	\$ 0.16	
			10 Day St. Dev.	\$ 0.40	
			10 Day Correlation	0.90	
<p>The Limited, Inc. is principally engaged in the purchase, distribution and sale of women's and men's apparel, women's intimate apparel and personal care products. The Company operates an integrated distribution system that supports its retail activities. These activities are conducted under various trade names, primarily through its retail stores and catalogue businesses. Merchandise is targeted to appeal to customers in various market segments that have distinctive consumer characteristics.</p> <p>Intimate Brands, Inc. is principally engaged in the purchase, distribution and sale of intimate and other women's apparel and personal care products. The Company's retail activities are conducted under two brand names, Victoria's Secret and Bath & Body Works, and its overall business is conducted through an integrated retail approach, which includes stores, catalogue and Internet. Merchandise is targeted to appeal to customers in various market segments that have distinctive consumer characteristics. The Company's retail distribution channels offer lingerie, hosiery, swimwear, beauty products and specialty gift items. In addition, the Company's catalogue offers women's apparel, shoes and accessories. Intimate Brands also operates Gryphon Development, Inc., which creates, develops and sources a substantial portion of the bath and personal care products sold by the Company.</p>					

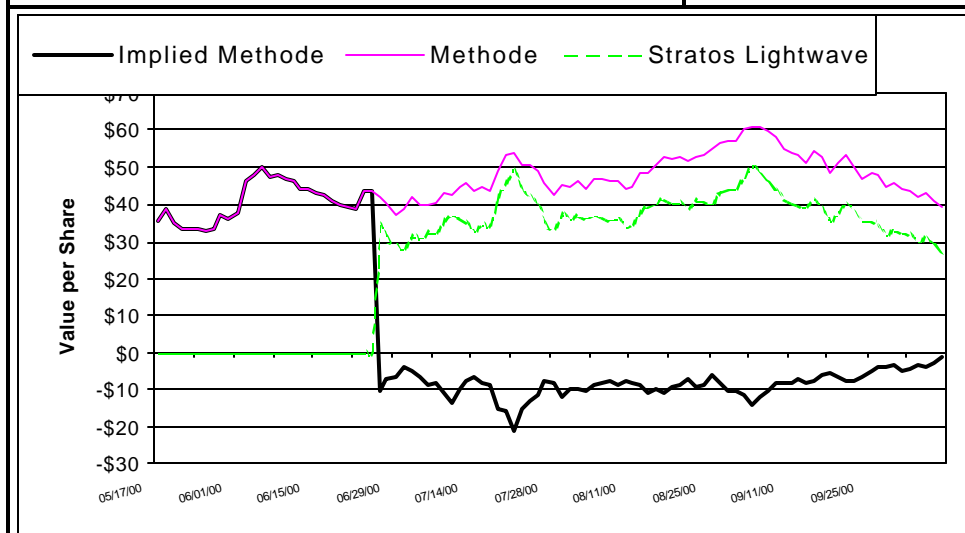
Valuation Snapshot

Methode / Stratos Lightwave

Methode (METHA)		708-867-9600	Stratos Lightwave (STLW)		708-867-9600
Current Price	\$	39.25	Current Price 00-EPS est.	\$	26.50 \$0.22 120.4X
Shares Out (000)		35,500	Shares Out / Float		64,092 10,063
Market Cap. (000)	\$	1,393,375	Market Cap. (000)	\$	1,698,438
Enterprise Value	\$	1,173,475	Enterprise Value	\$	1,516,988
Sales 12 Month Trailing	\$	422,000	TTM Sales Price /Sales	\$	71,785 23.66 X
Book Per Share	\$	13.18	Book Value Price /Book	\$	3.03 8.75 X
Insider / Inst. Held		31% 67%	Insider / Inst. Held		86% 6%
Short Int. / ratio		0.496 0.728	Short Int. / ratio		5.062 1.755
52 Week Range		\$13.5 - \$66.43	52 Week Range		\$26 - \$56.12

Methode ownership of Stratos Lightwave		With Stratos Lightwave		Without STLW per share multiple	
Shares owned (000)	54,029	Price-to-Sales	3.3 X	Price-to-Sales	\$9.86 0 X
Ratio Per Methode share	1.5219	Price-to-Book	2.98 X	Price-to-Book	\$8.57 0 X
Value Per Methode share	\$40.33	Price/Earnings	33.26 X	Price/Earnings	\$0.84 0 X
Methode Stub Value	-\$1.08	Price/EBITDA	23.39 X	Price/EBITDA	\$1.5 0 X
Economic Interest	84%	Enterpr./EBITDA	19.7 X	Enterpr./EBITDA	

Methode Relationship with Stratos Lightwave		Comparables		Moxel	Thomas & Betts
Intend to Spin	Yes	Price-to-Sales		2.4 X	0.48 X
IRS Tax Free Ruling	Pending	Price-to-Book		3.11 X	0.91 X
Record Date / Distr. Date	Dec-00 / April-01	Price/Earnings		38.87 X	43.41 X
Stratos Lightwave IPO Date	6/27/00 \$21	Price/EBITDA		10.37 X	-37.97 X
IPO-Lockup Expires	12/23/00	Enterpr./EBITDA		9.94 X	-83.52 X
Shares to Distribute / Float	5.4 X				



Spread Relationship	
40 Day Average	\$ (7.56)
40 Day Variance	\$ 8.19
40 Day St. Dev.	\$ 2.86
40 Day Correlation	0.98
20 Day Average	\$ (5.45)
20 Day Variance	\$ 4.23
20 Day St. Dev.	\$ 2.06
20 Day Correlation	0.99
10 Day Average	\$ (3.69)
10 Day Variance	\$ 1.32
10 Day St. Dev.	\$ 1.15
10 Day Correlation	0.98

Methode Electronics, Incis engaged in the manufacture of electronic components and devices that connect, control and convey electrical energy, pulse and signal including connectors, automotive components, interconnect devices, printed circuits, and current carrying distribution systems. Components and devices manufactured by the Company are used in the production of electronic equipment and other products with applications in the automotive, computer, voice and data communications equipment, industrial military and aerospace, and consumer electronics industries. The Company's products are sold primarily to original equipment manufacturers (OEMs) and also to independent distributors.

Stratos Lightwave develops, manufactures and sells optical subsystems and components for high data rate networking, data storage and telecommunication applications. Optical subsystems convert electronic signals into optical signals and back into electronic signals. These optical subsystems are designed for use in local area networks (LANs), storage area networks (SANs), metropolitan area networks (MANs), wide area networks (WANs) and central office networking in telecommunication markets.

Valuation Snapshot

Network Assoc. / McAfee.com						
Network Assoc. (NETA)		408-988-3832	McAfee.com (MCAF)		408-572-1500	
Current Price	\$ 20.44		Current Price 00-EPS est.	\$ 12.13	\$-0.53 0X	
Shares Out (000)	139,200		Shares Out / Float	43,500	7,400	
Market Cap. (000)	\$2,844,900		Market Cap. (000)	\$ 527,438		
Enterprise Value	\$2,432,253		Enterprise Value	\$ 454,038		
Sales 12 Month Trailing	\$ 891,000		TTM Sales Price /Sales	\$ 48,000	10.99 X	
Book Cash Per Share	\$ 4.91	\$5.23	Book Value Price /Book	\$ 1.52	7.95 X	
Insider / Inst. Held	3%	53%	Insider / Inst. Held	81%	15%	
Short Int. / ratio	3.094	1.704	Short Int. / ratio	0.398	2.707	
52 Week Range	16.25 - \$37.18		52 Week Range	\$12.25 - \$63.75		
Network Assoc. ownership of McAfee.com		With McAfee.com multiple		Without MCAF per share multiple		
Shares owned (000)	36,100	Price/Sales-F00	\$6.4 3.19 X		Price/Sales-F00	\$6.05 2.85 X
Ratio Per Network Assoc. share	0.2593	Price-to-Book	\$4.91 4.16 X		Price-to-Book	\$4.51 3.82 X
Value Per Network Assoc. share	\$3.14	Price/Earnings	\$0.96 21.29 X		Price/Earnings	\$1.09 15.75 X
Network Assoc. Stub Value	\$17.29	Price/EBITDA			Price/EBITDA	
Economic / Voting Interest	83% / 94%		Enterpr./EBITDA			
Network Assoc. Relationship with McAfee.com			Comparables	Comp. Assoc.	Symantec	
Intend to Spin	No		Price-to-Sales	2.39 X	3.6 X	
IRS Tax Free Ruling			Price-to-Book	2.33 X	4.15 X	
Record Date / Distr. Date			Price/Earnings	10.13 X	15.65 X	
McAfee.com IPO Date / Price	12/2/99	\$12	Price/EBITDA	5.27 X	12.85 X	
IPO-Lockup Expires	6/1/00		Enterpr./EBITDA	6.69 X	10.4 X	
Shares to Distribute / Float	4.9 X					
			Spread Relationship			
			40 Day Average	\$ 16.97	40 Day Variance	\$ 5.13
			40 Day Correlatio	0.04		
			20 Day Average	\$ 17.91	20 Day Variance	\$ 0.72
			20 Day St. Dev.	\$ 0.85	20 Day Correlatio	0.40
			10 Day Average	\$ 18.33	10 Day Variance	\$ 0.46
			10 Day St. Dev.	\$ 0.68	10 Day Correlatio	0.65
<p>Networks Associates, Inc. is a leading supplier of security and availability solutions for e-business. The Company is organized into four product groups based on its product suites: McAfee, which primarily markets the McAfee Active Virus Defense product suite; Sniffer Technologies, which primarily markets the Sniffer Total Network Visibility product suite; PGP Security, which primarily markets the PGP Total Security Defense product suite; and Magic Solutions, which primarily markets the Magic Total Support Desk product suite. The four individual product suites form the Company's single Net Tools mega suite. In addition to the product groups, the Company includes myCIO, a wholly owned subsidiary and a business applications service provider.</p>						
<p>McAfee.com Corporation provides online PC management products and services for consumers. Through its web site at www.McAfee.com, the Company allows consumers to secure, repair, update and upgrade their PCs. The Company encourages consumers to become paid subscribers to its main product, McAfee Clinic, which gives them access to all the centers on its web site. These centers consist of the McAfee Clinic, Anti-Virus Center, Firewall/Security Center, PC Checkup Center, Shopping Center, Download Center and Support Center.</p>						

Valuation Snapshot

SPX / INRANGE					
SPX (SPW)		231-724-5000		INRANGE (INRG)	
Current Price		\$ 128.00		Current Price 00-EPS est \$ 41.00 \$0.6 68.3X	
Shares Out (000)		31,638		Shares Out / Float 83,333 7,700	
Market Cap. (000)		\$ 4,049,664		Market Cap. (000) \$ 3,416,667	
Enterprise Value		\$ 5,227,864		Enterprise Value \$ 3,450,597	
Sales 12 Month Trailing		\$ 2,716,900		TTM Sales Price /Sales \$ 232,500 14.7 X	
Book Cash Per Share		\$ 19.07 \$0.47		Book Value Price /Book \$ 2.34 17.53 X	
Insider / Inst. Held		22% 77%		Insider / Inst. Held 91%	
Short Int. / ratio		0.36 1.957		Short Int. / ratio	
52 Week Range		\$73 - \$186		52 Week Range \$36 - \$65.62	
SPX ownership of INRANGE			With INRANGE		Without INRANGE
Shares owned (000)		75,633		Price-to-Sales 1.49 X	
Ratio Per SPX share		2.3906		Price-to-Book \$78.52 0.38 X	
Value Per SPX share		\$98.01		Price-to-Book \$13.47 2.22 X	
SPX Stub Value		\$29.98		Price/Earnings \$4.45 6.73 X	
Economic / Voting Interest		91% / 98%		Price/EBITDA \$13.42 2.23 X	
		Enterpr./EBITDA 11.04 X		Enterpr./EBITDA 5.02 X	
SPX Relationship with INRANGE			Comparables		United Tech Fluor
Intend to Spin			No		Price-to-Sales 0.84 X 0.36 X
IRS Tax Free Ruling			[REDACTED]		Price-to-Book 3.77 X 1.62 X
Record Date / Distr. Date			[REDACTED]		Price/Earnings 12.19 X 5.23 X
INRANGE IPO Date / Price		9/22/00 \$16		Price/EBITDA 4.8 X 2.06 X	
IPO-Lockup Expires		3/20/01		Enterpr./EBITDA 7.28 X 4.55 X	
Shares to Distribute / Float		9.8 X			
Daily Graph			Spread Relationship		
			40 Day Average [REDACTED]		
			40 Day Variance [REDACTED]		
			40 Day St. Dev. [REDACTED]		
			40 Day Correlation [REDACTED]		
			20 Day Average [REDACTED]		
			20 Day Variance [REDACTED]		
			20 Day St. Dev. [REDACTED]		
			20 Day Correlation [REDACTED]		
			10 Day Average [REDACTED]		
			10 Day Variance [REDACTED]		
			10 Day St. Dev. [REDACTED]		
			10 Day Correlation [REDACTED]		

SPX Corporation is a global provider of technical products and systems, industrial products and services, service solutions and vehicle components. The Company designs, manufactures and markets fire detection systems, data networking equipment, broadcast antennas and automated fare collection systems. The Company also designs, manufactures and markets power transformers, industrial valves, mixers, electric motors, laboratory freezers and ovens, high-pressure hydraulics, industrial furnaces and coal feeders, as well as specialty service tools, equipment and services primarily to the motor vehicle industry in North America and Europe. In addition, the Company is also engaged in the design, manufacture and marketing of transmission and steering components for light and heavy-duty vehicle markets, principally in North America and Europe. SPX operates in 19 countries.

INRANGE is a manufacturer of channel switches and channel extension products for copper and ESCON-based mainframes and SCSI and PCI based servers; matrix switches for wide area networks; wavelength division multiplexers; fiber management systems; and performance monitoring and test systems for digital and analog networks. Products are sold to multiple industries.

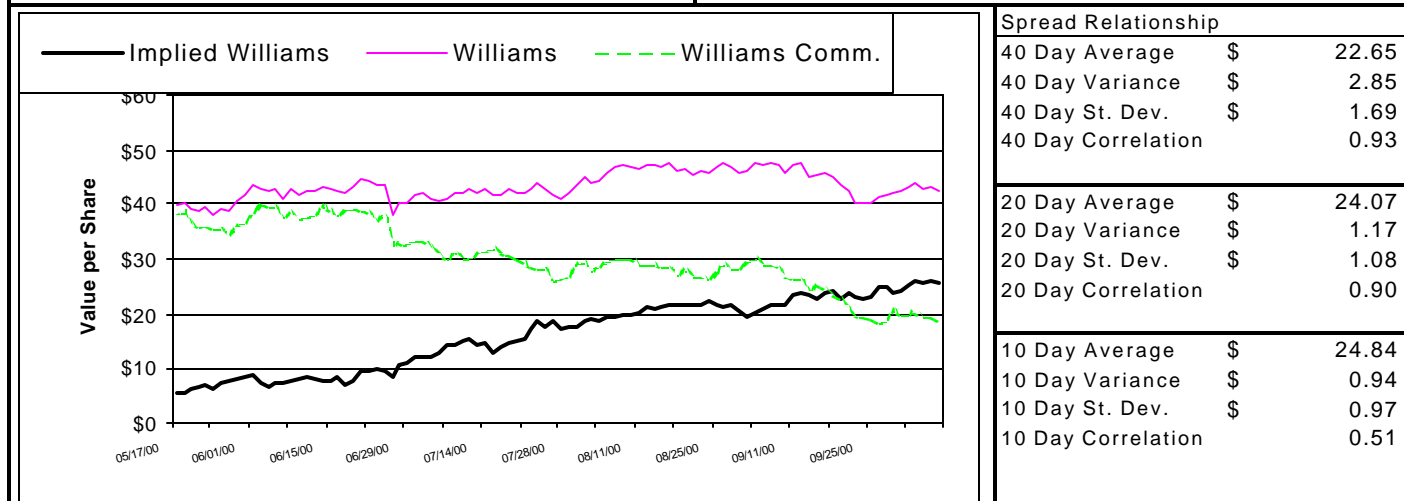
Valuation Snapshot

St. Joe / Florida East Coast							
St. Joe (JOE)		904-396-6600	Florida East Coast (FLA)		904-829-3421		
Current Price	\$ 28.00		Current Price 00-EPS est.	\$ 40.50	\$1.04 38.9X		
Shares Out (000)	87,074		Shares Out / Float	36,313	16,704		
Market Cap. (000)	\$2,438,067		Market Cap. (000)	\$ 1,470,691			
Enterprise Value	\$2,520,267		Enterprise Value	\$ 1,482,101			
Sales 12 Month Trailing	\$ 831,300		TTM Sales Price /Sales	\$ 282,180	5.21 X		
Book Per Share	\$ 10.50		Book Value Price /Book	\$ 20.43	1.98 X		
Insider / Inst. Held	61%	24%	Insider / Inst. Held	74%	28%		
Short Int. / ratio	0.149	3.465	Short Int. / ratio	0.033	2.538		
52 Week Range	\$20.5 - \$31.37		52 Week Range	\$33.5 - \$51			
St. Joe ownership of Florida East Coast		With Florida East Coast multiple		Without FLA per share multiple			
Shares owned (000)	19,609	Price-to-Sales	\$9.54 2.93 X		Price-to-Sales	\$6.3 2.99 X	
Ratio Per St. Joe share	0.2252	Price-to-Book	\$10.5 2.67 X		Price-to-Book	\$5.9 3.19 X	
Value Per St. Joe share	\$9.12	Price/Earnings	\$1.325 21.13 X		Price/Earnings	\$1.09 17.3 X	
St. Joe Stub Value	\$18.87	Price/EBITDA	\$2.09 13.39 X		Price/EBITDA	\$1.16 16.14 X	
Economic / Voting Interes	53% / 54%		Enterpr./EBITD	13.84 X		Enterpr./EBITDA	17.61 X
St. Joe Relationship with Florida East Coast			Comparables				
Intend to Spin	Yes		Bluegrass				
IRS Tax Free Ruling	Pending		Gables Rsdtl				
Record Date / Distr. Date	[REDACTED]		Price-to-Sales	0.88 X	1.27 X		
Florida East Coast IPO D	\$0		Price-to-Book	0.91 X	1.71 X		
IPO-Lockup Expires	[REDACTED]		Price/Earnings	14.26 X	8.65 X		
Shares to Distribute / Floa	1.2 X		Price/EBITDA	4.85 X	22.4 X		
			Enterpr./EBITDA	11.92 X	56.91 X		
			Spread Relationship				
			40 Day Average	\$	19.50		
			40 Day Variance	\$	0.47		
			40 Day St. Dev.	\$	0.69		
			40 Day Correlation		0.71		
			20 Day Average	\$	19.15		
			20 Day Variance	\$	0.42		
20 Day St. Dev.	\$	0.65					
20 Day Correlation		0.82					
10 Day Average	\$	18.71					
10 Day Variance	\$	0.03					
10 Day St. Dev.	\$	0.18					
10 Day Correlation		0.04					
<p>The St. Joe Company provides a broad range of real estate services to meet both residential and commercial real estate needs. The Company is one of the few real estate operating companies to have assembled the range of real estate, financial, marketing and regulatory expertise to take a large-scale approach to real estate development and services. The Company conducts primarily all its business in six operating segments. These are Community Residential Development Residential Real Estate Services; Commercial Real Estate Development and Services; Forestry; Land Sales; and Transportation. In 1999, the Company started a hospitality development group.</p>							
<p>Florida East Coast Industries Incis a holding company engaged, through four wholly-owned subsidiaries, in rail and trucking operations, real estate (ownership, development and management) and telecommunications (dark fiber and broadband capacity sales). The Company's subsidiaries are Florida East Coast Railway, International Transit, Inc., Gran Central Corporation and EPIK Communications Incorporated.</p>							

Valuation Snapshot

Williams / Williams Comm.

Williams (WMB)		918-573-2000	Williams Comm. (WCG)		918-573-2000	
Current Price	\$ 42.31		Current Price 00-EPS est.	\$ 18.75	\$-1.5 0X	
Shares Out (000)	440,000		Shares Out / Float	463,500	68,065	
Market Cap. (000)	\$ 18,617,500		Market Cap. (000)	\$ 8,690,625		
Enterprise Value	\$ 29,061,300		Enterprise Value	\$ 7,169,805		
Sales 12 Month Trailing	\$ 9,075,500		TTM Sales Price /Sales	\$ 2,064,390	4.21 X	
Book Per Share	\$ 12.97		Book Value Price /Book	\$ 4.43	4.23 X	
Insider / Inst. Held	20%	74%	Insider / Inst. Held	93%	7%	
Short Int. / ratio	6.223	4.254	Short Int. / ratio	2.176	3.838	
52 Week Range	\$28 - \$49.75		52 Week Range	\$18.06 - \$61.81		
Williams ownership of Williams Comm.		With Williams Comm. multiple		Without WCG per share multiple		
Shares owned (000)	395,435	Price-to-Sales	\$20.62 2.05 X		Price-to-Sales	\$15.93 1.59 X
Ratio Per Williams share	0.8987	Price-to-Book	\$12.97 3.26 X		Price-to-Book	\$8.98 2.83 X
Value Per Williams share	\$16.85	Price/Earnings	\$1.09 38.82 X		Price/Earnings	\$2.43 10.44 X
Williams Stub Value	\$25.46	Price/EBITDA	\$4.36 9.71 X		Price/EBITDA	\$4.77 5.32 X
Economic Interest	85%	Enterpr./EBITDA	15.17 X		Enterpr./EBITDA	10.43 X
Williams Relationship with Williams Comm.			Comparables			
			Enron El Paso Ene.			
Intend to Spin	Yes		Price-to-Sales	1.14 X	1.07 X	
IRS Tax Free Ruling	Yes		Price-to-Book	6.23 X	4.23 X	
Record Date / Distr. Date	Before 7/1/01	N/A	Price/Earnings	57.63 X	23.16 X	
Williams Comm. IPO Date	10/1/99	\$23	Price/EBITDA	27.45 X	7.41 X	
IPO-Lockup Expires	4/1/00		Enterpr./EBITDA	33.39 X	10.72 X	
Shares to Distribute / Float	5.8 X					



The Williams Companies moves energy and information through gas pipeline, energy services, and communications businesses. The Williams Energy Group is engaged in exploration and production (it has proved reserves of 1.05 trillion cu. ft. of natural gas equivalent); gas and liquids gathering, storage, and processing; gasoline retail; and energy trading and marketing. Williams Gas Pipeline operates 27,300 miles of coast-to-coast pipeline, including the Transco system, which runs from Texas to New York.

Williams Communications Group puts fiber in the diets of communications providers. Williams Communications unit offers telecom providers voice, data, and video transmission services on its 26,700-mile national network. The company's Solutions unit offers communications equipment and network services throughout North America. The Network unit operates a nationwide fiber optic network using ATM (asynchronous transfer mode) technology to provide data, Internet, video, and voice transmission services to telecommunications carriers, ISPs, utilities, and other service providers. The Strategic Investments unit invests in or owns, and operates, US and foreign communications businesses. The newest business unit, Broadband Media, offers distribution and management of digital assets and related information.

Implied Value of Stubs

Parent Company	Symbol	Price	Carve-Out / Holding	Symbol	Price	10/06/00	Ratio (1)	To Spin (6)	% owned (7)	Embedded Value (2)	Residual Stub Value (3)	Date Updated
Alpine Group	AGI	\$ 4.06	Superior Telecom	SUT	\$ 5.31	0.895	5.31	0.895	51.70%	\$ 3.69	\$ 0.37	12/31/99
Alliance Semiconductor	ALSC	\$ 18.81	Broadcom	BRCM	\$ 225.97	0.011	225.97	0.011	0.23%	\$ 2.57		
			Chartered Semiconductor	CHRT	\$ 50.75	0.050	50.75	0.050	1.59%	\$ 2.53		
			Chartered Semiconductor-S	CSM*	\$ 0.45	0.498	0.45	0.498	0.00%	\$ 0.23		
			United Microelectronics-S	2303*	\$ 2.98	7.884	2.98	7.884	3.14%	\$ 23.48		
			Vitesse Semiconductor	VTSS	\$ 87.38	0.020	87.38	0.020	0.52%	\$ 1.73		
										\$ 30.54	\$ (11.73)	
American Home Products	AHP	\$ 57.63	Immunex	IMNX	\$ 37.75	0.221	37.75	0.221	54.10%	\$ 8.34	\$ 49.28	06/14/00
Motion Corp.	MTNT	\$ 11.63	XM Satellite Radio	XMSR	\$ 35.63	0.279	35.63	0.279	22.13%	\$ 9.96	\$ 1.67	03/03/00
American Software	AMSWA	\$ 3.38	Logility	LGTY	\$ 3.25	0.514	3.25	0.514	83.70%	\$ 1.67	\$ 1.71	02/14/00
Apollo Group	APOL	\$ 42.00	Phoenix Online	UOPX	\$ 22.88	0.622	22.88	0.622	89.05%	\$ 14.22	\$ 27.78	10/02/00
AT&T	T	\$ 26.81	AT&T Wireless	AWE	\$ 21.06	0.595	21.06	0.595	84.42%	\$ 12.53		04/20/00
			Cablevision	CVC	\$ 71.88	0.016	71.88	0.016	30.06%	\$ 1.14		
										\$ 13.67	\$ 13.14	
AXA Financial	AXA	\$ 64.50	Donaldson Luikin & Jenrette	DLJ	\$ 88.69	0.390	88.69	0.390	64.50%	\$ 34.63	\$ 29.87	03/30/00
Banco Santander Spain	STD	\$ 10.56	Santander Bancorp	SBP	\$ 14.69	0.032	14.69	0.032	80.00%	\$ 0.47	\$ 10.09	05/25/99
ePresence	EPRE	\$ 5.19	Switchboard.com	SWBD	\$ 6.50	0.436	6.50	0.436	41.36%	\$ 2.83	\$ 2.36	03/01/00
Barnes and Noble	BKS	\$ 17.81	Barnesandnoble.com	BNNB	\$ 4.25	0.837	4.25	0.837	40.56%	\$ 3.56	\$ 14.25	03/21/00
Bowne	BNE	\$ 9.38	Edgar Online	EDGR	\$ 4.31	0.027	4.31	0.027	8.67%	\$ 0.12	\$ 9.26	03/15/00
BrookTrout	BRKT	\$ 27.19	Intersped	ISPD	\$ 4.00	0.616	4.00	0.616	55.81%	\$ 2.46	\$ 24.72	03/15/00
Cabletron	CS	\$ 25.56	Efficient Networks	ENFT	\$ 35.75	0.064	35.75	0.064	21.85%	\$ 2.28	\$ 23.29	03/01/00
Cadence	CDN	\$ 23.94	Tality	TLTY	\$ 11.00	0.267	11.00	0.267	82.96%	\$ 2.94	\$ 21.00	09/05/00
Canadian Pacific	CN	\$ 26.38	Pancanadian Petroleum	TSE:PCP	US\$ 24.174	0.683	24.174	0.683	86.72%	\$ 16.52	\$ 9.86	08/31/00
Cell Genesys	CEGE	\$ 26.00	Abgenix	ABGX	\$ 71.63	0.075	71.63	0.075	12.55%	\$ 5.36	\$ 20.64	03/22/00
Chris-Craft	CCN	\$ 74.94	BHC Communications	BHC	\$ 143.00	0.427	143.00	0.427	80.36%	\$ 61.12	\$ 13.82	03/30/00
Citizens Communications	CZN	\$ 14.06	Electric Lightwave	ELIX	\$ 7.19	0.158	7.19	0.158	82.05%	\$ 1.14	\$ 12.92	03/31/00
Cohesion Technology	CSON*	\$ 9.25	Boston Scientific	BSX	\$ 15.00	0.086	15.00	0.086		\$ 1.30		
			Pharming N.V.	PHAR*	\$ 12.60	0.099	12.60	0.099		\$ 1.25		
										\$ 2.54	\$ 6.71	
Comdisco	CDO	\$ 13.00	Comdisco Ventures	ULCM	\$ 15.00	0.491	15.00	0.491	88.24%	\$ 7.37	\$ 5.63	09/01/00
Comverse Technology	CMVT	\$ 98.50	Ulicom	ULCM	\$ 47.25	0.214	47.25	0.214	87.33%	\$ 10.13	\$ 88.37	04/05/00
Data Broadcasting	DBCC	\$ 2.56	MarketWatch.com	MKTW	\$ 6.50	0.077	6.50	0.077	49.91%	\$ 0.50	\$ 2.06	06/30/00
Dellia's	DLIA	\$ 1.88	iTurf	TURF	\$ 1.25	0.652	1.25	0.652	55.26%	\$ 0.82	\$ 1.06	03/15/00
Deluxe	DLX	\$ 20.63	eFunds	EFDS	\$ 7.63	0.591	7.63	0.591	86.49%	\$ 4.51	\$ 16.12	05/16/00
DTE Energy	DTE	\$ 36.06	Plug	PLUG	\$ 29.31	0.094	29.31	0.094	30.99%	\$ 2.77	\$ 33.29	03/31/00
Disney (Walt)	DIS	\$ 40.56	Disney Internet Group	DIG	\$ 8.56	0.052	8.56	0.052	72.00%	\$ 0.45	\$ 40.12	12/31/99
Dixons PLC	DXNS.L	£ 2.42	Freeerve	FRE.I	£ 3.15	0.475	£ 3.15	0.475	85.55%	£ 1.5	£ 0.92	01/00/00
Donaldson Luikin & Jenrette	DLJ	\$ 88.69	DLJ Direct	DIR	\$ 6.25	0.624	6.25	0.624	84.25%	\$ 3.90	\$ 84.79	03/30/00
Eaton	ETN	\$ 61.31	Axcelis tech.	ACLS	\$ 8.88	1.100	8.88	1.100	83.77%	\$ 9.77	\$ 51.55	06/16/00
eCom Ventures	ECMV	\$ 1.13	Envision Development	EDV	\$ 8.00	0.473	8.00	0.473	46.67%	\$ 3.78	\$ (2.66)	01/00/00
ECI Telecom	ECIL	\$ 30.25	Eciel	ECTX	\$ 18.50	0.134	18.50	0.134	76.07%	\$ 2.49	\$ 27.76	09/05/00
EMC	EMC	\$ 88.13	McData	MCDT	\$ 101.00	0.043	101.00	0.043	87.26%	\$ 4.31	\$ 83.82	08/02/00
Enron	ENE	\$ 81.75	Azurix	AZX	\$ 4.13	0.056	4.13	0.056	35.00%	\$ 0.23		09/05/00
			New Power	NPW	\$ 19.00	0.075	19.00	0.075	46.30%	\$ 1.43	\$ 80.09	09/05/00

1) Shares held of (Carve-Out or Holding by Parent Company) divided by shares outstanding of the Parent Company.

2) Embedded Value = (Carve-Out or Holding price) multiplied by the Ratio.

3) Residual Stub Value = Parent Price less Embedded Value.

4) Parent P/E = Parent Price divided by First Call Estimate

5) Residual P/E = First Call Estimate of the parent company less the holding company's contribution, if the parent consolidates the holding

6) Company has announced intent to distribute shares of carve-out to parent shareholders.

7) Parents economic ownership value of carve-out. This column does not include consideration for voting rights.

Implied Value of Stubs

Parent Company	Symbol	Price	Carve-Out / Holding	Symbol	10/06/00 Price	Ratio (1)	To Spin (6)	Economic % owned (7)	Embedded Value (2)	Residual Stub Value (3)	Date Updated
Flowers Ind.	FLO	\$ 18.63	Keebler	KBL	\$ 39.25	0.462		54.80%	\$ 18.13	\$ 0.49	03/31/00
First Albany	FACT	\$ 12.88	Mechanical Tech.	MKTY	\$ 8.06	1.515		34.00%	\$ 12.21	\$ 0.66	01/00/00
Ford	F	\$ 25.44	Hertz	HRZ	\$ 32.19	0.077		81.00%	\$ 2.47	\$ 22.97	05/25/99
Global Crossing	GBLX	\$ 26.63	Asia Global Storage Networks	ACGX	\$ 15.00	0.000		0.00%	\$ -		
				STOR	\$ 80.88	0.006		5.88%	\$ 0.51		
Great Lakes Chemical	GLK	\$ 29.94	OSCA	OSCA	\$ 14.75	0.154		60.00%	\$ 2.28	\$ 27.66	05/10/00
ICN Pharmaceuticals	ICN	\$ 34.19	Ribapharm	RIBA	\$ 14.00	1.573		87.40%	\$ 22.02	\$ 12.17	09/06/00
IDT	IDTC	\$ 37.59	Net2Phone	NTOP	\$ 22.81	0.692		48.26%	\$ 15.78	\$ 21.82	03/20/00
iGate Capital	IGTE	\$ 4.81	Mascot	MSCOT*	\$ 7.49	0.485		88.89%	\$ 3.63	\$ 1.18	06/12/00
IMS Health	RX	\$ 20.69	Cog Tech Solutions	CTSH	\$ 34.88	0.047		78.86%	\$ 1.66		03/30/00
			Gartner Group	IT	\$ 11.44	0.023		7.92%	\$ 0.26		03/30/00
Intermedia	ICIX	\$ 24.00	Digex	DIGX	\$ 36.56	0.686		62.20%	\$ 25.07	\$ (1.07)	03/20/00
Kushner-Loocke	KLOC	\$ 0.75	USSearch.com	SRCH	\$ 0.81	0.751		55.20%	\$ 0.61	\$ 0.14	03/20/00
Limited	LTD	\$ 23.31	Inimate Brands	IBI	\$ 20.44	0.886		83.00%	\$ 18.10	\$ 5.21	05/31/00
Loews	LTR	\$ 81.31	Diamond Offshore Drilling	DO	\$ 38.94	0.674		86.49%	\$ 26.25		03/31/00
			CNA Insurance	CNA	\$ 36.13	1.533		51.62%	\$ 55.39		03/31/00
					\$ 81.63				\$ (0.32)		
Loral	LOR	\$ 5.31	Globalstar	GSTRF	\$ 7.00	0.175		42.44%	\$ 1.22	\$ 4.09	03/31/00
Maxxam	MXM	\$ 17.06	Kaiser Aluminum	KLU	\$ 5.00	7.143		62.97%	\$ 35.71	\$ (18.65)	03/20/00
Mechanical Tech.	MKTY	\$ 8.06	Plug	PLUG	\$ 29.31	0.403		31.00%	\$ 11.82	\$ (3.76)	03/30/00
Motorola	MOT	\$ 27.44	Next Nivel Communications	NXTV	\$ 49.38	0.030		80.23%	\$ 1.47	\$ 25.97	06/22/00
PSINet	PSIX	\$ 7.81	Xpedior	XPDR	\$ 3.06	0.254		80.00%	\$ 0.78	\$ 7.03	06/20/00
Methode Electronics	METHA	\$ 39.63	Stratos Lightwave	STLW	\$ 27.56	1.570	Y	86.43%	\$ 43.28	\$ (3.66)	06/05/00
Motorola	MOT	\$ 27.44	Propel	PRPL	\$ 19.00	0.057	Y	82.16%	\$ 1.08	\$ 26.35	09/22/00
MRV Communications	MRVC	\$ 49.38	Lumint	LMNE	\$ 14.00	2.240	Y	92.31%	\$ 31.35	\$ 18.02	10/03/00
National City	NCC	\$ 22.19	National Processing	NAP	\$ 13.69	0.142		88.19%	\$ 1.95	\$ 20.24	03/22/00
Navarre	NAVR	\$ 1.50	Net Radio	NETR	\$ 1.00	0.216		50.99%	\$ 0.22	\$ 1.28	03/20/00
Network Associates	NETA	\$ 20.94	McAfee	MCAF	\$ 12.88	0.259		85.21%	\$ 3.33	\$ 17.61	12/31/99
Nextel	NXTL	\$ 39.56	Nextel International	NXTI	\$ 18.00	0.373		86.18%	\$ 6.71	\$ 32.86	10/03/00
			Nextel Partners	NXTP	\$ 23.00	0.106		33.38%	\$ 2.45	\$ (2.45)	10/03/00
					\$ 9.15				\$ 30.41		
News Corp	NWS	\$ 46.31	Fox Corp	FOX	\$ 22.69	0.639		83.01%	\$ 14.49	\$ 31.82	03/31/00
Xcel Energy	XEL	\$ 26.69	NRG Energy	NRG	\$ 30.88	0.441		83.97%	\$ 13.60	\$ 13.08	05/31/00
Oscico	FIBR	\$ 19.81	NetSilicon	NSIL	\$ 16.00	0.822		56.60%	\$ 13.15	\$ 6.66	03/20/00
PepsiCo	PEP	\$ 46.38	Pepsi Bottling Group	PBG	\$ 30.81	0.040		40.00%	\$ 1.24	\$ 45.13	03/20/00
PICO Holdings	PICO	\$ 10.88	Hyperfeed Technologies	HYPR	\$ 2.38	0.833		75.52%	\$ 1.98	\$ 8.90	03/20/00
Pharmacia	PHA	\$ 56.81	Monsanto	MON	\$ 22.50	0.170		86.27%	\$ 3.82	\$ 53.00	10/06/00

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4) Parent P/E = Parent price divided by First Call Estimate.

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6) Company has announced intent to distribute shares of carve-out to parent shareholders.

7) Parents economic ownership value of carve-out. This column does not include consideration for voting rights.

Implied Value of Stubs

Parent Company	Symbol	Price	Carve-Out / Holding	Symbol	10/06/00		Ratio (1)	Intend		Economic	Embedded		Residual
					Price	Carve-Out / Holding		To Spin (6)	% owned (7)		Value (2)	Stub Value (3)	
Ralcorp Holdings	RAH	\$ 14.06	Vail Resorts	MTN	\$ 21.31	0.148		22.00%	\$ 3.15	\$ 10.92	03/21/00		
Ralston Purina	RAL	\$ 25.13	DuPont	DD	\$ 44.56	0.052		1.42%	\$ 2.32	\$ 20.66	03/21/00		
			Interstate Bakeries	IBC	\$ 15.25	0.099		43.18%	\$ 1.50	\$ 0.65	03/21/00		
			Conoco	COC	\$ 26.94	0.024		1.18%	\$ 0.65	\$ 20.66	03/21/00		
Reuters	RTRSY	\$ 107.50	Tibco Software	TIBX	\$ 71.25	0.485		60.06%	\$ 34.54	\$ 72.96	05/04/00		
RSL	RSLC	\$ 1.22	DeltaThree	DDC	\$ 3.75	0.357		73.77%	\$ 1.34	\$ (0.12)	03/21/00		
Sabre Group	TSG	\$ 27.94	Travelocity	TVLY	\$ 10.50	0.260		70.00%	\$ 2.72	\$ 25.21	05/31/00		
Sea Containers	SCR.a	\$ 22.00	Orient Express Hotels	OEHS	\$ 16.75	1.130	Y	67.64%	\$ 18.92	\$ 3.08	08/07/00		
Seagate Technology	SEG	\$ 64.00	Veritas Software	VRTS	\$ 130.94	0.467		32.99%	\$ 61.15	\$ 3.01	03/21/00		
			Sandisk	SNDK	\$ 65.06	0.046		16.09%	\$ 3.01	\$ 0.14	03/21/00		
			Gadzoxx Networks	ZOOX	\$ 6.06	0.023		25.45%	\$ 0.14	\$ (0.30)	03/21/00		
Southern Company	SO	\$ 29.1875	Southern Energy	SOE	\$ 27.13	0.406		79.79%	\$ 11.01	\$ 18.18	01/00/00		
SPX Corp.	SPW	\$ 127.9375	Inrange Tech.	INRG	\$ 42.00	2.342		88.84%	\$ 98.35	\$ 29.58	09/05/00		
Stiwell Financial	KSU	\$ 39.06	DST Systems	DST	\$ 111.06	0.092		32.00%	\$ 10.18	\$ 28.89	03/20/00		
St. Joe	JOE	\$ 27.94	Florida East Coast	FLA	\$ 40.50	0.225	Y	54.00%	\$ 9.12	\$ 18.82	03/21/00		
Synovus	SNV	\$ 21.13	Total Systems	TSS	\$ 16.94	0.580		80.70%	\$ 9.83	\$ 11.30	03/21/00		
Toronto-Dominion	TD	\$ 30.25	TD Waterhouse Group	TWE	\$ 16.81	0.521		0.00%	\$ 8.76	\$ 0.38	03/24/00		
			Knight-Trimark	NITE	\$ 26.50	0.015		8.51%	\$ 9.14	\$ 21.11	03/24/00		
Telephone & Data Systems	TDS	\$ 108.85	U.S. Cellular	USM	\$ 69.05	1.155		80.91%	\$ 79.79	\$ 84.45	01/12/00		
			VoiceStream	VSTR	\$ 110.75	0.366		14.00%	\$ 40.49	\$ 9.50	01/12/00		
			Vodafone	VOD	\$ 35.75	0.044			\$ 1.58	\$ (13.00)	01/12/00		
Time Warner	TWX	\$ 87.06	Time Warner Telecom	TWTC	\$ 57.00	0.046		51.00%	\$ 2.61	\$ 84.45	05/25/99		
Titan	TTN	\$ 14.50	Cayenta	CYTA	\$ 13.00	0.385		61.32%	\$ 5.00	\$ 9.50	09/05/00		
			Surebeam	SURE	\$ 15.00	0.866		83.41%	\$ 12.99	\$ 3.49	09/05/00		
Tribune	TRB	\$ 40.63	AOL	AOL	\$ 59.13	0.023		0.23%	\$ 1.36	\$ 39.27	03/10/00		
TRW	TRW	\$ 40.25	Wireless Inc.	WLSS	\$ 9.00	0.047		13.50%	\$ 0.42	\$ 0.42	06/20/00		
			E Sync Networks	ESNI	\$ 2.88	0.025		40.00%	\$ 0.07	\$ 0.07	06/20/00		
			Celera Genomics	CRA	\$ 79.38	0.004		1.00%	\$ 0.34	\$ 0.34	06/20/00		
			RF Micro Devices	RFMD	\$ 28.38	0.187		13.68%	\$ 5.29	\$ 34.13	06/20/00		
TYCO	TYC	\$ 51.94	TYCOM	TCM	\$ 34.81	0.264		89.12%	\$ 9.17	\$ 42.76	05/03/00		
Ucar	UCR	\$ 11.88	Graftech	GRAF	\$ 16.50	0.560		82.79%	\$ 9.23	\$ 2.64	07/05/00		
UnitedGlobalCom	UCOMA	\$ 29.25	United Pan-Europe Comm.	UPCOY	\$ 20.06	1.839		61.00%	\$ 36.90	\$ (7.65)	06/29/00		
* UCOWA information is updated to reflect Liberty Media Purchase													
USA Networks	USAI	\$ 19.69	Ticketmaster-Online	TMCS	\$ 15.06	0.066		61.00%	\$ 0.99	\$ 0.99	05/25/99		
			Hotel Reservation Networks	ROOM	\$ 28.06	0.056		68.00%	\$ 1.57	\$ 17.13	03/20/00		
Utilicorp	UCU	\$ 24.50	Quanta Services	PWR	\$ 25.25	0.214		36.00%	\$ 5.40	\$ 19.10	05/31/00		
Viacom	VIA	\$ 53.38	Blockbuster	BBI	\$ 8.50	0.096		83.24%	\$ 0.81	\$ 0.81	07/05/00		
			Infinity Broadcasting	INF	\$ 29.44	0.463		64.20%	\$ 13.63	\$ 38.94	06/21/00		
Wackenhut	WAK	\$ 13.50	Wackenhut Corrections	WHC	\$ 7.63	0.821		55.00%	\$ 6.26	\$ 7.24	08/31/00		
Western Resources	WR	\$ 21.00	Protection One	POI	\$ 1.50	1.573		85%	\$ 2.36	\$ 18.64	04/06/00		
			Oneok - Common	OKE	\$ 42.69	0.047		11%	\$ 2.01	\$ 2.01	01/00/00		
			Oneok-Preferred	OKE	\$ 47.69	0.146		34%	\$ 6.95	\$ 6.95	04/06/00		
Williams	WMB	\$ 42.38	Williams Communications	WCG	\$ 18.88	0.899	Y	85.31%	\$ 16.96	\$ 25.41	03/21/00		
Verizon	VZ	\$ 50.31	Genuity	GENU	\$ 5.36	0.007		9.13%	\$ 0.04	\$ 50.28	06/28/00		

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Spin-Off Calendar by Date

Parent	Listed			Listed		Date	Spin-Off	Report	Tax	
	Symbol	Options	Spin-Off	Symbol	Options	Announced	Date	Date	Exempt	Ratio
IMS Health	RX	Y	Gartner Group	IT	Y	11/12/98	07/26/99	July	Y	1:7.7
ShopKo	SKO	Y	ProVantage Health Services	PHS		02/04/99	07/14/99	August		CO
Roche Holdings AG	RO.SW		Genentech	DNA	Y	06/02/99	07/20/99	August		CO
IDT	IDTC	Y	Net2Phone	NTOP		05/14/99	07/29/99	August		CO
Intermedia	ICIX		Digex	DIGX			07/30/99	August		CO
Quantum	QNTM	Y	Hard Disk Drive	HDD		03/01/99	08/03/99	July-U		.5:1
			DLT & Storage Systems	DSS		03/01/99	08/03/99	July-U		1:1
DuPont	DD	Y	Conoco	COC	Y	05/11/98	08/09/99	August	Y	1:2.95
Viacom	VIA.B	Y	Blockbuster Entertainment	BBI	Y	05/06/99	08/12/99	September	Y	CO
Limited	LTD	Y	Limited Too	TOO	Y	05/03/99	08/24/99	September	Y	1:7
Lynch Corp.	LGL		Lynch Interactive	LIC		04/09/99	09/01/99	September	Y	1:1
Snyder Communications	SNC	Y	Ventiv Health	VTIV		06/23/99	09/28/99	September	Y	1:3
BrookTrout Inc.	BRKT	Y	Interspeed Inc.	ISPD		06/18/99	09/24/99	October		CO
Perfumania	PRFM	N	Perfumania.com	PF		04/20/99	09/29/99	September		CO
Williams Co.	WMB	Y	Williams Communications	WCG		11/20/98	10/01/99	October		CO
Gencorp	GY	Y	Omnova Solutions	OMN		12/17/98	10/01/99	October	Y	1:1
HRPT Properties	HRP	Y	Senior Living	SNH		12/24/98	10/12/99	September	N	1:10
Navarre	NAVR	Y	Net Radio	NETR	N	03/03/99	10/14/99	April		CO
Watts Industries	WTS	Y	CIRCOR International	CIR		12/15/98	10/19/99	November	Y	1:2
Harcourt General	H	Y	Neiman Marcus	NMG.B		05/17/99	10/22/99	November	Y	3:10
Snyder Communications	SNC	Y	circle.com	CRCM		05/12/99	10/29/99	September		TR .25:1
Tenneco	TEN	Y	Tenneco Packaging	PTV		07/21/98	11/05/99	November	Y	1:1
Harris Corp.	HRS	Y	Lanier Worldwide	LR		04/14/99	11/05/99	November		1:1
Microsoft	MSFT	Y	Expedia	EXPE		09/23/99	11/10/99	December		CO
Hewlett-Packard	HWP	Y	Agilent Technologies	A		03/02/99	11/18/99	December		CO/SP
Disney	DIS	Y	Disney Internet Group	DIG		07/12/99	11/18/99	December		TR
HNC Software	HNCS		Retek	RTEK			11/18/99	December		CO
RSL Corp.	RSLC		DeltaThree	DDDC		05/03/99	11/23/99	December		CO
Allegheny Teledyne	ALT	Y	Teledyne Technologies	TDY		01/19/99	11/30/99	December	Y	1:7
			Water Pik Technologies	PIK					Y	1:20
Daisytek	DZTK		PFSweb	PFSW		09/21/99	12/02/99	December		CO
Metamor Worldwide	MMWW	Y	Xpedior	XPDR		10/18/99	12/16/99	November		CO
Crane	CR	Y	Huttig	HBP		06/21/99	12/17/99	December	Y	1:4.5
Schlumberger	SLB	Y	Sedco Forex (Merger)	RIG		07/12/99	12/31/99	Jan-00	Y	1:5
Graphics Packaging	GPK	Y	Coorstek	CRTK		06/15/99	01/04/00	Jan-00	Y	1:4
Technology Solutions	TSCC	Y	eLoyalty	ELOY		03/31/99	2/16/00	Feb-00	Y	1:1
USA Networks	USAI	Y	Hotel Reservations Network	ROOM		11/01/99	02/25/00	Mar-00		CO
3Com	COMS	Y	Palm	PALM	Y	09/14/99	03/02/00	Feb-00		CO
Banyan	BNYN	Y	Switchboard.com	SWBD		11/11/99	03/02/00	Jan-00		CO
AMR Corp.	AMR	Y	Sabre Group Holdings	TSG	Y	12/14/99	03/15/00	Mar-00	Y	.7:1
Olsten Corp.	OLS	Y	Gentiva Health Services	GTIV		08/18/99	03/16/00	Nov-99	N	1:4
Ashland Inc.	ASH	Y	Arch Coal	ACI		10/6/00	03/27/00	April-00	N	1:2458
First Union Real Estate	FUR		Impark	IPK		01/24/00	03/28/00	April-00		1:20
Ralston Purina	RAL	Y	Energizer Holdings	ENR		06/10/99	04/01/00	April-00	Y	1:3
US Bancorp	UBAN	N	Three Rivers Bancorp	TRBC		07/12/99	04/01/00	April-00	Y	1:2
Baxter Int.	BAX	Y	Edwards Lifesciences	EW		07/12/99	04/03/00	April-00	Y	1:5
Cabot Corp.	CBT		Cabot Micro-Electronics	CCMP		07/29/99	04/04/00	April-00	Y	CO
Comverse Technology	CMVT	Y	Ulticom	ULCM		01/19/00	04/05/00	April-00		CO
Weatherford	WFT	Y	Grant Prideco Drilling	GRP		07/21/99	04/14/00	April-00		1:1
AT&T	T	Y	Wireless Group	AWE		12/06/99	04/27/00	April-00	Y	CO-TR
C-Cube	CUBE	Y	C-Cube Semiconductor	CUBE		10/27/99	05/03/00	May-00	N	1:1
BCE	BCE	Y	Nortel Networks	NT		01/31/00	05/02/00	Feb-00	N	SP
Northern States Power	NSP	Y	NRG Energy	NRG		03/29/00	05/31/00	June-00		CO

Spin-Off Calendar by Date

Parent	Listed			Symbol	Date Announced	Record Date	Spin-Off Date	Report Date	Tax	
	Symbol	Options	Spin-Off						Exempt	Ratio
SGI	SGI	Y	Mips Technology	MIPS	02/26/99		06/20/00	June-00		.135:1
Hewlett-Packard	HWP	Y	Agilent	A	03/02/99		06/02/00	June-00	Y	.37:1
iGate	IGTE		Mascot	MSCT	03/07/00		06/12/00	April-00		CO
Great Lakes Chemical	GLK	Y	OSCA	OSCA	09/20/99		06/15/00	July-00		CO
Deluxe Corp.	DLX	Y	eFunds	EFDS	01/31/00		06/26/00	June-00		CO/SP
Methode Electronics	METHA	Y	Stratos Lightwave	STLW	02/23/00		06/26/00	June-U		CO/SP
Ford	F	Y	Visteon	VC	04/14/00		06/28/00	June-00	Y	1:7.637
Verizon	VZ	Y	Genuity	GENU	04/10/00		06/28/00	May-00		CO
AutoNation	AN	Y	ANC Rental Corp.	ANCX	08/02/99		06/30/00	June-00	Y	1:8
Delta Woodside	DLW		Duck Head	DHA	02/09/99	06/19/00	06/30/00	July-00	Y	1:10
			Delta Apparel	DLA	02/09/99	06/19/00	06/30/00	July-00	Y	1:10
Orckit	ORCT		Tioga Technologies	TIGA	02/10/00	06/28/00	07/03/00	July-00	Y	1:1
Intelligroup	ITIG		Seranova	SERA	11/04/00	05/12/00	07/06/00	July-00	Y	1:1
Daisytek	DZTK		PFSweb	PFSW	09/21/99	06/19/00	07/07/00	July-00	Y	.81:1
Eaton	ETN	Y	Axcelis Technologies	ACLS	02/24/00		07/10/00	July-00		CO/SP
Kansas City Southern	KSU	Y	Stilwell Financial	SV	02/03/98	6/28/00	07/12/00	July-00	Y	2:1
3Com	COMS	Y	Palm	PALM	09/14/99	07/11/00	07/27/00	July-00	Y	1.5:1
TYCO	TYC	Y	Tycom	TCM	03/10/00		07/27/00	August-00		CO
Atuant	ATU	Y	APW Ltd	APW	01/27/00		07/31/00	August-00	Y	1:1
America Online	AOL	Y	America Online Latin	AOLA	07/06/00		08/07/00	August-00		CO
EMC	EMC	Y	McData	MCDT	05/31/00		08/09/00	August-00		CO/SP
Sea Containers	SCR.A		Orient Express Hotels	OEH			08/10/00	August-00		CO/SP
BRE Properties	BRE		VelocityHSI	VHSI	03/16/00	08/07/00	08/15/00	August-00	N	1:5
Ziff-Davis	ZD		Key3Media	KME			08/21/00	Sept-00		1:2
IMS Health	RX	Y	Synavant	SNVT	03/28/00	07/28/00	09/01/00	Sept-00	Y-	1:20
MCSi	MCSI		Zengine	ZNGN	08/22/00		09/22/00	Sept-00		CO
SPX	SPW	Y	Inrange Technologies	INRG	06/05/00		09/22/00	Sept-00		CO
Southern Company	SO	Y	Southern Energy	SOE	04/17/00		09/ 27/00	October-00	Y	CO/SP
HNC Software	HNCS		Retek	RETK		09/15/00	09/29/00	August-00	Y	~1.24:1
Cabot Corp.	CBT		Cabot Micro-Electronics	CCMP	07/29/99	09/13/00	09/29/00	Sept-00	Y	1:3.7
Lucent	LU	Y	Avaya	AV	03/01/00	09/20/00	09/30/00	Sept-00	Y	1:12
Dun & Bradstreet	DNB	Y	Moody's	MCO	12/15/99	09/20/00	09/30/00	Sept-00	Y	1:2
Apollo Group	APOL		Phoenix Online	UOPX	03/28/00		09/28/00	October-00		CO/TR
Enron	ENE		New Power	NPW			10/ 05/00	October-00		
SARA LEE	SLE	Y	Coach	COH	05/30/00		10/05/00	October-00		CO/SP
St. Joe	JOE	Y	Florida East Coast	FLA	10/27/99	9/18/00	10/09/00	October-00	Y	.23:1
ICN Pharmaceuticals	ICN		Ribapharm	RIBA	06/15/00		Oct-00	October-00		CO
Cadence Design	CDN		Talify	TLTY			Oct-00	October-00		
Global Crossing	GBLX		Asia Global Crossing	ACGX			Oct-00	October-00		CO
Pharmacia	PHA		Monsanto	MON	08/30/00		Oct-00	October-00		CO
Comdisco	CDO	Y	Ventures	CDOV	12/22/99			October-00		CO-TR
Titan	TTN	Y	Surebeam	SURE	08/14/00					CO
Modis Professional	MPS	Y	IdeaIntegration	IDEA				Sept-00		CO
Titan	TTN	Y	Cayenta		12/29/99			Dec-99		CO
Motorola	MOT		Propel	PRPL	06/27/00			July-00		CO
Chronimed	CHMD		MEDgenesis	MDGN	03/13/00	06/16/00	Pending	August-00		1:3
National Data	NDC	Y	eHealth & eCommerce		12/21/99		Nov-00	Jan-00		SP
RPC	RES		Chaparral Boat Unit		01/14/00			Feb-00		SP
Comdisco	CDO	Y	Prism		06/17/99		CXL			CO
Cablevision	CVC	Y	Rainbow Programming		12/22/99		4th qtr-00	Jan-00	Y	TR
Sybron International	SYB		Sybron Dental		04/24/00	11/01/00		May-00	Y	SP
Avista	AVA	Y	Internet Billing		01/27/00		4th qtr-00	Feb-00		
Miller Industries	MLR	Y	RoadOne		05/13/99			June-99	P	SP
Eaton	ETN	Y	Axcelis Technologies	ACLS	02/24/00		4th qtr-00	July-00		SPLIT
Deluxe Corp.	DLX	Y	eFunds	EFDS	01/31/00		4th qtr-00	June-00		SPLIT
AT&T	T	Y	AT&T Wireless	AWE			4th qtr-00			SPLIT

Spin-Off Calendar by Date

Parent	Listed		Spin-Off	Symbol	Date	Spin-Off	Report	Tax	Ratio
	Symbol	Options			Announced	Date	Date	Exempt	
Cabletron	CS	Y	4 Unit break up				Mar-00		
Interpool	IPX	N	Microtech and Poolstat		08/09/99				SP
PTEK Holdings	PTEK	Y	E Research Technologies		10/28/99				CO
Computer Horizons	CHRZ	Y	eB Networks – Softech		10/18/99	2001	Dec-99		CO
Modis Professional	MPS	Y	Prolianz	PRO	11/09/99		Dec-99		SP/CO
Hewlett Packard	HWP	Y	Deep Canyon		01/01/00		Feb-00		
Thermo Electron	TMO	Y	Thermo Fibertek	TFT	01/31/00	4th qtr-00	Feb-00		SP
Ciber	CBR	Y	Enterprise Solutions		03/01/00		Mar-00		SP
Cyber-Care	CYBR		Air Response		02/29/00	SOLD	Mar-00		SP
GETGO.COM	GTGO		GETGO USA		02/29/00		Mar-00		SP
Aztec	AZTC		PCSI		03/30/00		April-00		CO
Verizon	VZ	Y	Verizon Wireless		04/04/00		April-00		CO
Bellsouth	BLS	Y	Latin Wireless		03/29/00		April-00	Y	CO/TR
			Domestic Wireless		04/05/00		April-00		CO
PSINet	PSIX	Y	Interdot.net		03/28/00	4th qtr-00	April-00		CO
Western Resources	WR	Y	Electric Utility		03/29/00		April-00		SP
Fisher Scientific	FSH		Alchematrix		03/08/00	2001	May-00		CO
Kroll-O'Gara	KROG		Break-Up		04/18/00	Dec/Jan-01	May-00		
Xerox	XRX	Y	Contentguard		04/26/00		May-00		CO
Fluor	FLR		Massey Energy		06/08/00		July-00		SP
ICN Pharmaceuticals	ICN		International Operations		06/15/00		July-00		CO
Lucent	LU	Y	Microelectronics Unit				July-00		
Triarc	TRY		Snapple Beverage		06/22/00	Sold	July-00		CO
Diageo	DEO		Burger King		06/22/00		July-00		CO
Ceridian	CEN		Arbitron		07/18/00		August-00		SP
Computer Associates	CA		Software and Services		08/07/00		August-00		CO
ESS Technologies	ESST		ViAlta		07/20/00	2001	August-00		CO
Marshall & ilsley	MI		Metavante		07/13/00		August-00		CO
Qualcomm	QCOM		Semiconductor Business		07/25/00		August-00		CO
Reliant	REI		Energy Business		07/27/00		August-00		CO/SP
Saks	SKS		Saks Fifth Ave Enterprises		07/19/00	1st half-01	August-00	Y-	1:3
BEI Technologies	BEIQ		OpticNet		08/24/00		Sept-00		
ECI Telecom	ECIL		Multiple Break Up		08/03/00		Sept-00		
Infocure	INCX		Practice Works		08/22/00		Sept-00		
Nextel	NXTL		Nextel International	NXTI	08/18/00		Sept-00		
Ultramar Diamond	UDS		Shamrock Logistics		08/14/00		Sept-00		

Foreign Spin-Off Calendar by Date

Parent	Symbol	Spin-Off	Symbol	Date Announce	Spin-Off Date	Report Date	Tax Exempt	Ratio
Zurich Allied	ZUAN	PSP Swiss Property	PSPN		03/07/00	Mar-00		SP
Siemens	SIEG_GR	Infineon	IFX		03/13/00	Mar-00		CO
Lycos	LCOS	Lycos Europe	LCY		03/22/00	April-00		CO
Deutsche Telekom	NYSE: DT	T-Online	NM: TQI	03/27/00	04/17/00	April-00		CO
Toys-R-Us	TOY	Toys-R-Us Japan	7645_JP	03/20/00	04/25/00	April-00		CO
Commerzbank	CBK_GR	Comdirect	COM_GR		06/05/00	June-00		CO
Prudential	LSE: PRU	Egg	EGG			June-00		CO
France Telecom	NYSE; FTE	Wanadoo	DOO		07/19/00	July-00		CO
Vivendi	Paris: EX	Vivendi Environment	Paris: VIE		07/19/00	August-00		CO
Modern Times	MTGNY	Metro International	MTROA,B	04/18/00	08/18/00	May-00		1:1
Alcatel	ALA	Fiber Optics	OPTRO	07/27/00	10/20/00	October-00		TR
Penninsular and Oriental	LSE: PO	Princess Cruises	POC	02/24/00	10/23/00	October-00	Y	1:1
Nycomed Amersham		APbiotech		08/07/00	4th-qtr-00	August-00		CO
Novartis		Syngenta			4th-qtr-00	April-00		SP
IDS Intelligent Detect. Sys.	TSE: ISD	GeoCommerce		02/24/00		Mar-00		
IDS Intelligent Detect. Sys.	TSE: ISD	Caduceon		02/24/00		Mar-00		
Roche		Givaudan Fragrances		12/06/99		Jan-00		
Scottish Power	SPL.N	Telecommunications		09/17/99		Oct-99		CO
IDS	IDS	B2B Commerce / Medical		12/14/99		Mar-00		SP
National Power	NP	International Business		11/17/99		Dec-99		SP
Deutsche Telekom	DT	Deutsche Telecom Mobile		01/25/00	Delayed			CO
Novartis	NVTSY	Agrochemical Business				April-00		SP
Alcatel	ALA	Cable and Components		04/04/00		May-00		IPO
Telefonica S.A.	TEF	Telefonic Moviles		09/29/00	11/20/00			CO
Reuters	RTRSY	Greenhouse Fund				May-00		CO
Novo Nordisk	NVO.N	Enzymes and Health Care		09/09/99	2001	Nov-99		SP
United Pan-Europe	UPCOY	Chello Broadband	CHLO	03/21/00	2001	June-00		CO
Psion	PON_LN	Symbyan		08/08/00	2001	Sept-00		CO

Delayed Spin-Off's

Parent	Symbol	Listed Op-	Spin-Off	Sym-	Date Announced	Spin-Off Date	Report Date	Tax Exempt	Ratio
New York Times	NYT	Y	New York Times Digital	TCD	01/28/00	Delayed	Feb-00	Y	CO/TR
Staples	SPLS	Y	Staples.Com	SDOT	09/15/99	Delayed	Oct-99	Y	CO-TR
CMGI	CMGI	Y	Altavista	ALTA	12/17/99	Delayed	Jan-00		CO
UCAR	UCR	Y	Graftech	GRAF	04/18/00	Delayed	August-00		CO
Playboy	PLA		Playboy.com	PBYI	09/28/99	Delayed			CO
Central Garden	CENT		Lawn and Garden Dist.		03/20/00	Delayed			SP
Nordstrom	JWN	N	Internet Unit		08/26/99	Delayed			CO
MIM Corp.	MIMS		Internet Pharmacy		01/20/00	Delayed	Feb-00		CO
Lason	LSO.N	Y	E-Commerce		12/20/99	Delayed	Jan-00		
Transaction Sys.	TSAI		Insession Technologies		06/02/00	Delayed	June-00		CO
DAMARK	DMRK	Y	ClickShip Direct		02/16/00	Delayed	Mar-00		SP
American Software	AMSWA	Y	Amquest		01/25/00	Delayed	Feb-00		CO
Copart	CPRT	Y	Internet Business		12/17/99	Delayed	Jan-00		SP
Good Guys	GGUY		Good Guys.com		01/05/00	Delayed	Feb-00		CO
WalMart	WMT	Y	Online Business		01/07/99	Delayed	Feb-00		CO
Viacom	VIA.B	Y	MTVi		02/11/00	Cancelled	Mar-00		CO